

★ MARKET APPROACHING NEW TEST ★

The MAGAZINE *of* WALL STREET

and BUSINESS ANALYST

DECEMBER 3, 1960

85 CENTS

NO "INFLATION" IN THE OFFING

By GEORGE GEBHARDT

★

PENDING OF BILLIONS Approved by States — Municipalities) AS SHOCK TREATMENT FOR OUR ECONOMY

By ROBERT B. SHAW

★

Special Investment Features...

★

BANK STOCKS as INVESTMENTS for 1961

By PAUL J. MAYNARD

★

A REALISTIC REAPPRAISAL the CONSTRUCTION INDUSTRY

—Looking to 1961

By FREDERICK B. LYONS

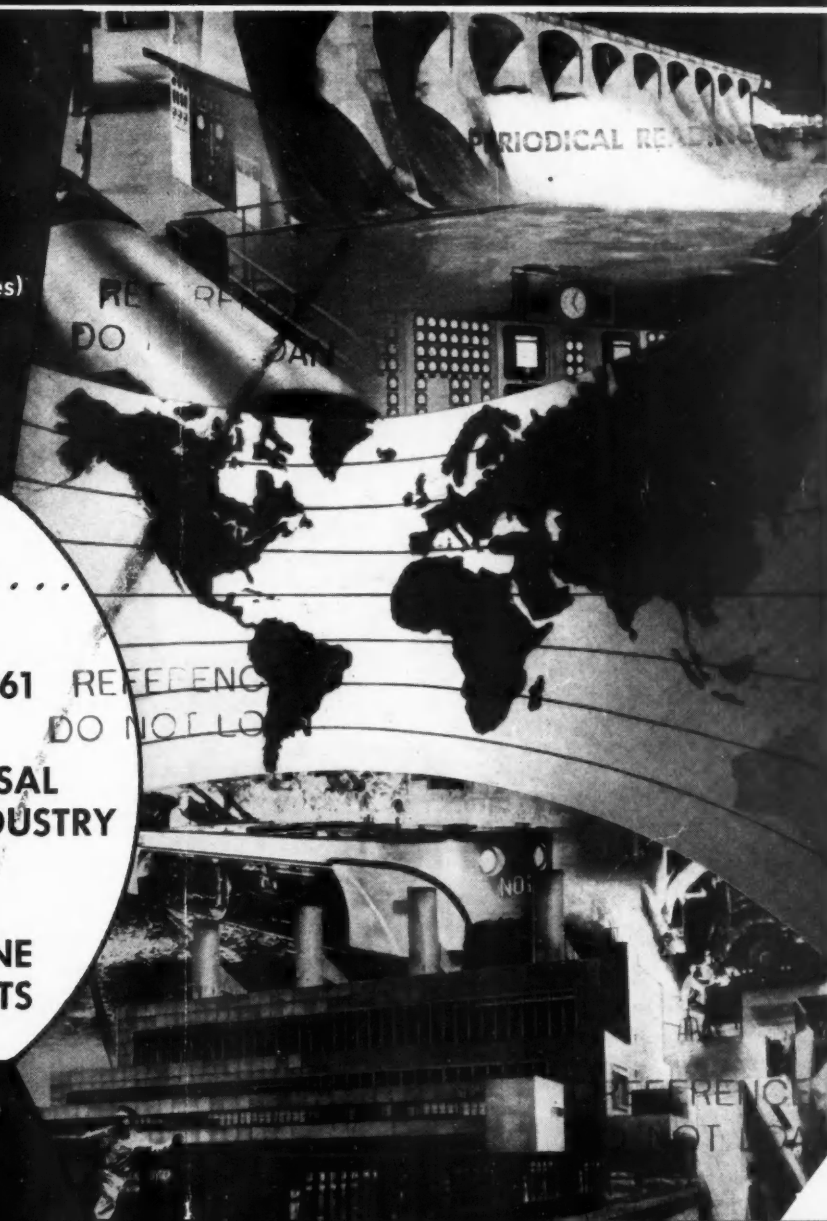
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TAXES and MOONSHINE AFFECT LIQUOR PROFITS

By RAYMOND E. CHRISTOPHER

UNITED STATES and U.S.S.R. as CONTENDERS for WORLD MARKETS

By EUGENE VAN CIEFF





Like the Big Job of Making Steel...

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It takes 523,451 men and women... far-reaching exploration teams, transportation systems, testing and research labs to produce the steel we use. America produces more than 85 million net tons of steel each year to meet the demands of consumer and industry. Yet few of us ever think of all that goes into manufacturing this "everyday" metal.

And few of us pulling into the green-and-white Cities Service station to "fill her up" realize all that lies behind today's quality gasolines. Cities Service uses a pipeline system that could circle the globe. We search five continents for oil and maintain the most modern research laboratories and refineries.

Cities Service has invested over a billion dollars in product improvement and development. The challenge of tomorrow requires even greater investment.

Only in this way can America have what it needs for progress—more jobs and more and better oil products.



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December 3, 1960

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Illustration page 269 adapted from The Columbus and Southern Ohio Electric Co.

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OF THE YEAR

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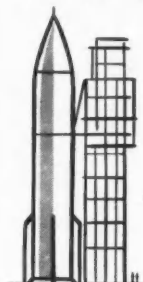
P. O. Box 1-3100
MIAMI, FLORIDA



DIVIDEND NOTICE

A quarterly dividend of 25¢ per share has been declared on the Common Stock of the Company, payable December 16th, 1960 to stockholders of record at the close of business on November 25th, 1960.

ROBERT H. FITE
President



FLORIDA...
UNEXCELLED
CLIMATE FOR
BUSINESS AND
INDUSTRY!

Public Service Electric and Gas Company

NEWARK, N. J.



QUARTERLY DIVIDENDS

The Board of Directors has declared the following dividends for the quarter ending December 31, 1960:

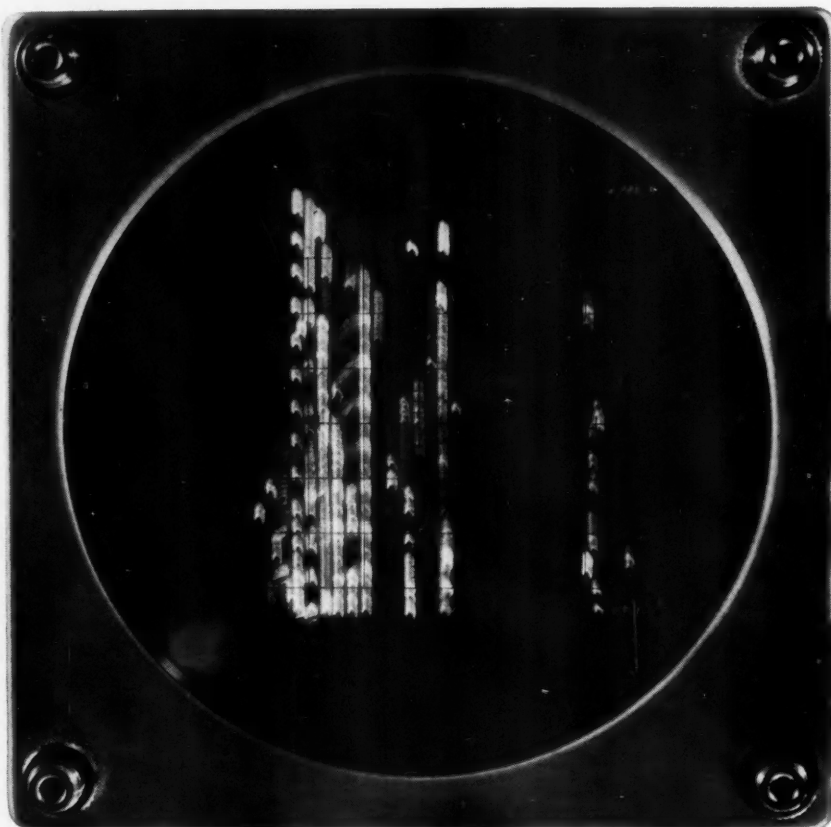
Class of Stock	Dividend Per Share
Cumulative Preferred	
4.08% Series	\$1.02
4.18% Series	1.045
4.30% Series	1.075
5.05% Series	1.2625
\$1.40 Dividend	
Preference Common . .	.35
Common50

All dividends are payable on or before December 21, 1960 to stockholders of record November 25, 1960.

J. IRVING KIBBE
Secretary



**PICTURE OF
TELEPHONE
CALLS BEING
HANDLED A
REMARKABLE
NEW WAY**



Bell System's new Electronic Central Office (now being tested) forecasts a startling variety of useful new telephone services



The oscilloscope screen above gives you an idea of how telephone calls will some day be handled—electronically—by a remarkable new system.

A screen like this is monitoring experimental Electronic Central Office equipment which we recently began testing in Morris, Illinois. The "pips" of light you see on the screen represent the system's thought processes as it puts calls through, while checking itself constantly for errors.

This test is very significant, because the future Electronic Central Office will let your telephone do pretty nearly anything you want it to.

For example, you may be able to dial a three-way phone conversation right in town... or have your calls automatically transferred to a friend's house where you're spending the evening... or ask the Office to keep after a busy number and make the connection as soon as it's free.

These are just a few of the many services this new switching system could make possible.

"It looks in the back of the book"

An engineer at Bell Telephone Laboratories uses this comparison to dramatize the difference between the Electronic Central Office and previous switching systems:

"Suppose," he says, "that two students are trying to find the square root of 841. One is doing it the hard way, figuring with paper and pencil. The other just reaches for an engineering handbook, flips to the right place and looks up the answer, 29, in the tables.

"The Electronic Central Office works basically the same way. When you dial a number, it will decide how to connect you by 'looking in the back of the book'—a huge permanent memory in which we have stored the answers to every situation that can possibly arise."

Product of Continuing Research

The Electronic Central Office is still in the trial stage. Some of our customers in Morris are helping us test it now, and more are being added every week. We're watching their reactions very carefully, because we want to know how to improve the switching system, and what new services people would like to have.

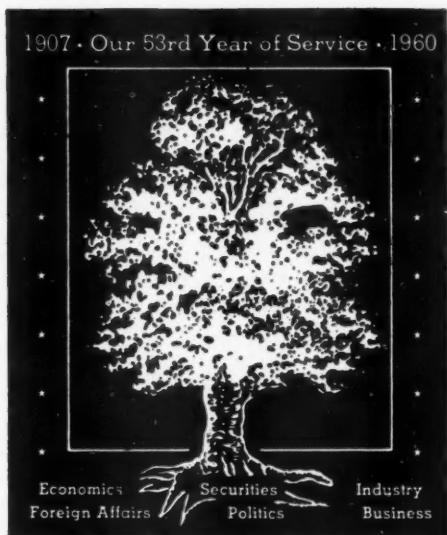
This early demonstration of electronic switching is the achievement of many years of Bell Telephone research in many fields of science. It depends, for instance, on the Transistor, a Bell Laboratories invention, for its economy and reliability. And it shows the important progress we can make with reasonable earnings under America's free enterprise system.

BELL TELEPHONE SYSTEM



THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, Editor-Publisher



The Trend of Events

A FAILURE — OR ONLY THE FIRST STEP IN THE BAR-GAINING? . . . There has been a vast amount of criticism over the Anderson-Dillon trek to Bonn — whether it should have been made — or whether we should have followed the advice received from our embassy in West Germany to stay at home.

And then there was all the chit-chat, too, about the wives who accompanied the mission, a matter that is particularly irrelevant and picayune when it deals with their fur coats and their general air of prosperity. Certainly, at no time did the allied ministers and their entourage land in this country wearing rags when they came pleading for special monetary favors from us.

So, I for one would say that the well-being of the ladies who accompanied their husbands had no place in the criticism regarding the decision which sent Secretary of Treasury Anderson and Under-Secretary of State Dillon to Bonn in the first place.

The point in question is whether sending them to see Adenauer was ill-advised and as surprisingly amateurish as the critics would have us believe?

In fact, from reports received, the German press is divided on the action taken by Adenauer — and Ludwig Erhard, Economics Minister, is already striving to work out a practical solution of the problems involved.

It now looks more as though the reported Bonn offer was only the opening maneuver in the horse trading that is to follow.

Therefore, if any failure has been registered, it is only because of the methods employed in handling this critical situation. So that now, with the numerous advantages in our favor, we are in a position to press for a sound solution with greater realism and firmness. For the full truth is that we must all stand together or fall separately to Russian machinations.

Many of the rumors regarding the outcome of the conference are utterly absurd. The one that says West Germany would welcome the exit of American troops — that this would enable her to work out a better deal with the Soviet Union — is absolutely unrealistic.

The truth is that the presence of the troops of the United States and other allies on West German soil is imperative for the survival of the Bonn Government, and that Adenauer has nothing to hope for from the Russians, who are bound to continue to favor East Germany.

Considering this reality, and the generosity of the United States, which helped rebuild the country and rehabilitate its people over a long period of years, plus their current high state of prosperity, the situation is one that calls for the New Germany to go all-out in co-operating with the United States, who has the means at its disposal to solve its problem by acting harshly — if need be. It is a sad commentary on the Bonn Government that it reduced its bank rate

We call the attention to the reader to our Trend Forecaster, which appears as a regular feature of the Business Analyst. This department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss this regular feature.

BUSINESS, FINANCIAL and INVESTMENT COUNSELLORS: 1907 — "Our 53rd Year of Service" — 1960

to help the dollar only after Britain and France had already taken the lead in doing so.

Possessing as she does almost \$8 billion in gold and dollar reserves, and with a \$2 billion surplus in her balance of payments so far this year, West Germany is in the strongest overall economic position in Europe, without excepting Britain and France. And this so-called West German economic recovery miracle could never have taken place after the war without the huge sums the United States threw in to rebuild the country.

Actually, instead of tagging the United States with the failure of the mission, it is West Germany who should bear the brunt of the criticism for failing to recognize her responsibilities to the U.S.A., and the West too, in a meaningful dollars-and-cents

fashion. Already Britain, with relatively minor troop support payments in Germany, is having trouble getting Bonn to share the greater portion of her burden there. And Germany will certainly have to watch her step with France.

It is clear, the real culprit in this situation is West Germany. And, it now seems likely that the furor in Europe occasioned by her refusal to meet the needs of the gold situation in the United States with fairness, and even a portion of some of the generosity we have shown her, will produce a most unfavorable reaction that could cause a great loss of goodwill and a set-back for her economy too, in a way that could reverse all the hard work of the post-war years.



As I See It!

By Jack Bame

THE DEVALUED RUBLE . . . HEAVY OR LIGHT, IT'S WORTH LESS

FURTHER evidence that a completely planned economy is just as, if not more, fallible as is the capitalistic or mixed variety, has been presented in the latest monetary maneuvers of the U.S.S.R.

The main purpose of the previously heralded introduction of a "hard" ruble in January 1961, within the framework of one of the usual Russian currency "reforms," is now revealed—a smokescreen for a devaluation of the over-valued ruble.

The details of the latest official Soviet announcements—and it must be stressed that these remain

subject to the possibility of further revisions at any moment—can be summed up as follows:

First—the original banknote exchange of 10 present rubles for 1 new ruble will be carried out as planned, beginning in January. If the previous nominal value of the ruble had been preserved, except for the dropping of one zero to make it a "heavy" book-keeping unit, the new ruble would have been listed at \$2.50 vs. its old 25¢ quotation, or 2.22168 grams of fine gold vs. the old definition of .22168 grams. However, the new value is now proclaimed to be \$1.11 (90 kopecks = \$1), or .987412 grams of fine

gold. The latter represents only 45% of what the hard ruble's gold value would be if the present relative ratio of the ruble to gold and the dollar had been maintained. Therefore, a substantial devaluation has been decreed.

For the Russian people, the effect of the reform is the same as it has been in the past: a virtual confiscation for those who have saved currency or accumulated banknote hoards through "questionable" means (unofficial dealings), and who would be reluctant to explain their holdings while exchanging them for new notes. Internal purchasing power of wages and monetary claims will not really be affected, as all prices, wages and debts, according to Soviet announcements, will be revised in line with the 10:1 ratio.

The devaluation, which represents a virtual alignment to the existing tourist rate of 10 rubles per dollar (which probably is to be abolished), still leaves the ruble overvalued, in the light of international price or purchasing power comparisons. However, an official Soviet statement was issued to the effect that if the gold content or exchange rate of the currencies of capitalist nations is modified, the State Bank of the U.S.S.R. has received instructions to establish a rate of exchange for the ruble which will take into account these changes. It can be assumed, from such a declaration, that the Soviets would align to at least a proportionate degree, probably more than that, in the event of any Western exchange parity revisions.

As for the international significance of the new ruble, the immediate practical results will add up to zero. There is still no convertibility of the ruble into foreign currencies or gold. *Export of rubles is prohibited, and there is no international market for the Soviet currency, except for marginal black market transactions.*

The devaluation, however, probably does bring the external value of the ruble down to more realistic levels, and is in line with the Russian desire to establish more international acceptability and confidence in the unit. The adjustment in its gold and exchange value is expected to help make it somewhat more simple to evaluate prices of some Russian goods. Some conflict of thought on the relative costs of the latter to foreigners in terms of their own currencies exists, but it is too early to come to any real conclusion. The consensus in the West is that such costs will be about 10% higher, while the Soviet Finance Minister, Vasili Grabuzov,

has stated that the financial interests of other countries will not be affected, as Russian export and import prices will be adjusted for the devaluation. *There is the usual ambiguity in his remarks that all ruble quotations "will be calculated on prices used in international commerce."*

Nevertheless, the fact remains that the Soviet system of State trading and arbitrarily setting prices, its rigid controls and the continued lack of any meaningful publication of monetary data—such as practically all non-Soviet nations provide to the International Monetary Fund—will not better the global standing of the ruble. It can be expected that most of the Russian foreign trade will still be conducted on a barter basis or in sterling, dollars or other leading free world currencies.

There are three aspects of the reform which do seem to have some meaning.

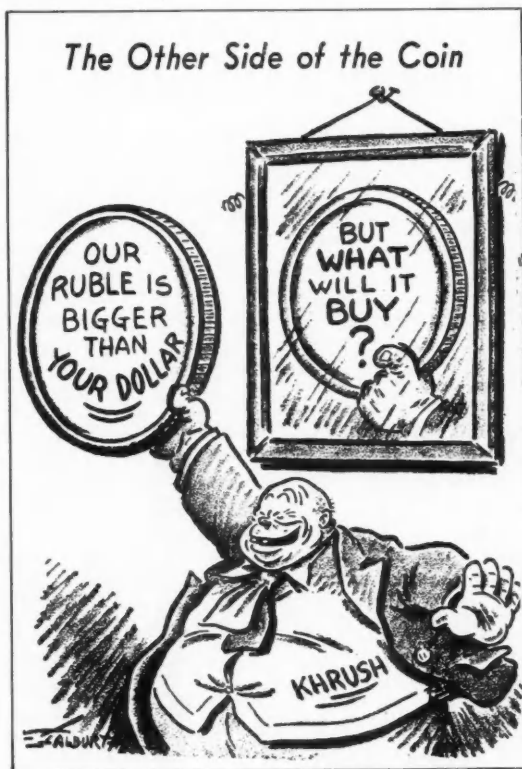
First, there is at least some degree of propaganda value for the Soviets, especially among the underdeveloped countries and within the Soviet bloc itself, in the nominal evaluation of the heavy ruble at 11¢ more than the U.S. dollar, in terms of gold.

Second, the exchange realignment may be utilized in some positive way to ease and integrate the procedures involved in intra-Soviet bloc commerce, where the ruble is often used as the unit of account or financing and ruble credits or debits are accumulated by Moscow's east European satellites. It is in this area that the most tangible results of the new reform may become evident in the near future.

Third, it was realized, as an essential step in the long range Russian plans with the objective of making the ruble an accepted international medium of exchange, that the evident over-valuation of the Soviet currency in terms of other monetary units, had to be coped with. The introduction of the "hard" ruble presented a vehicle for at least a partial veil for the devaluation. Similar moves may be expected to be resorted to again. Moscow may even come up with some new gimmick in the present set-up before the January banknote exchange begins.

It follows that the Soviets want the ruble to play an increasingly important part in their overall global economic drive, and any currency action they take or will take does not and will not ignore this objective. The latest "reform" is no exception and the fact that the new decrees were made at precisely the moment when U.S. dollar troubles hit the headlines was no accident.

END



N. Y. World-Telegram cartoon.

Market Approaching New Test

Following the recent upswing, the market is in a consolidation phase which could be preliminary to the usual seasonal betterment around the year-end period. However, attention cannot be long diverted from the profit squeeze and the uncertainties ahead. A high degree of selectivity will continue to be required in portfolio management.

By A. T. MILLER

AFTER a 46-point rise to the November 10 rally level, the industrial average has since been confined to about an 11-point range within the 612-601 area. With the fortnight's net change small, it closed on an upward note last week a little above the half-way point in the narrow range cited. Partly in reflection of selling or switching for tax-adjustment purposes, behavior of individual stocks remains extremely mixed.

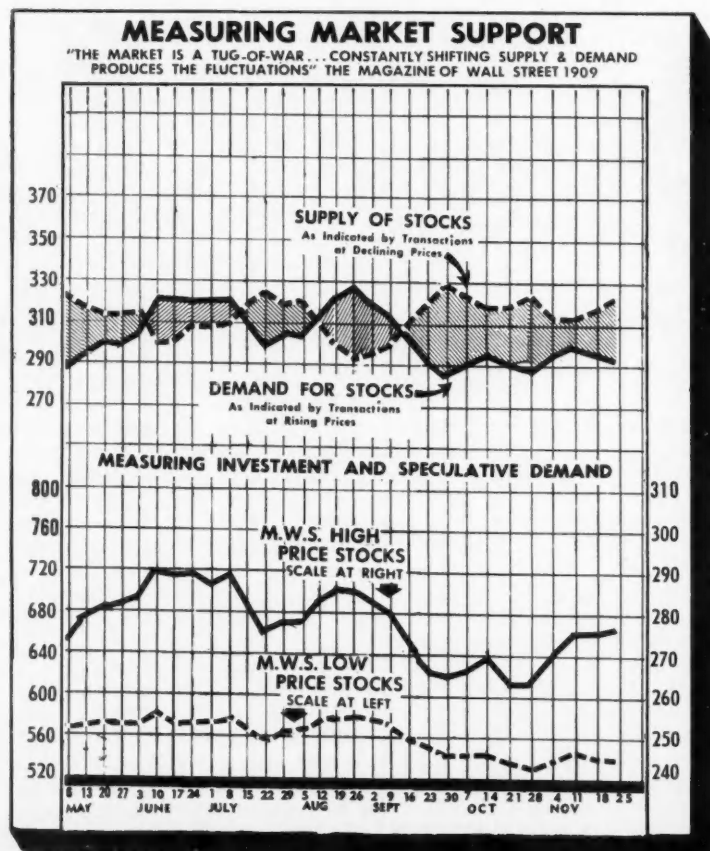
The rail average rose a fraction above its Novem-

ber 10 close, thus extending the moderate recovery from the September-October double bottom. It had the aid of an ICC boost of \$34.8 million in annual pay for hauling mail. That is a small amount in the over-all railroad picture, which continues uninspiring as a group. Rails probably have more tax selling to be absorbed. For example, from a low made in mid-December, their 1957 year-end rally was only a fraction for the average. However, there are several individual rails, like Norfolk & Western, Louisville & Nashville and Chesapeake & Ohio, earning and paying higher dividends than most industrials, so that in considering rails one should look at them individually rather than through the averages.

Utilities in Better Demand

Despite easing in the bond market, which is believed due to temporary congestion in new-issue flotations rather than any basic change in the outlook for money rates, utilities are meeting the best demand seen in some weeks. This average has made up the bulk of its earlier retreat, risen definitely through its mid-October minor-rally top and is within roughly 1% of its September 6 postwar high. Many other good-grade income stocks—mostly in such groups as finance companies, foods, soft drinks and tobaccos—are also in demand, a fair number at new highs.

Otherwise, it is emphatically "a market of stocks." Thus, features last week included strength in specialties such as bowling and vending-machine issues, and some defense stocks; and sharp rallies in some popular electronic issues. On the other hand, performance of automotive stocks, the building group, electrical equipments and appliances, most machinery issues, paper and tires, remained unimpressive. Considering the weight of these and of other laggard stocks in the Dow industrial average, it



is difficult to envision a sustained rise at this stage—even though individual issues may go ahead on their merit and prospects.

The principal technical indicators provide little in the way of positive clues to the near-term market at this writing. As charted herewith, the implications of our Supply - Demand measurements are somewhat adverse. Daily advances and declines in individual stocks are fairly closely balanced, as is so also of highs and lows, although the showings of these indicators improved moderately late last week. On balance, the "little people" — generally presumed to be wrong — are mildly bullish, as indicated by the recent odd-lot buying-selling data.

As of mid-November, the short position had risen for four consecutive months and had reached the highest figure since January, 1959. There are two ways of looking at this. On the one hand, it means increased potential support under the market, although it is not big as compared with normal weekly trading volume. On the other hand, it must be noted that typical short-sellers are sophisticated people.

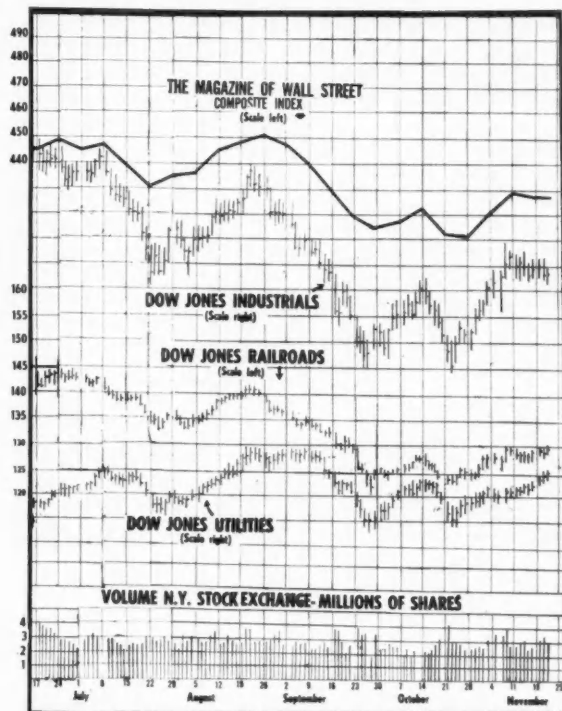
In a well-defined bull market, supported by rising corporate profits, there is more basis for viewing a growing short position as a factor favorable toward a rising market. But that seems scarcely justified in the present questionable market in which the evidence as regards underlying trend is no better than indecisive. Indeed, it could be argued that the shorts are not without apparent logic on their side in concluding that various stocks are too high on present and prospective earnings.

Reflecting reduced public enthusiasm for common stocks and recognition of uncertainties ahead, the mutual funds continue to be a smaller market factor than previously, and are employing the reduced amounts of available new money somewhat more conservatively than formerly. October sales of mutual fund shares exceeded redemptions by less than \$88.3 million. The shrinkage in new money was 17% from September, and about 32% from a year earlier.

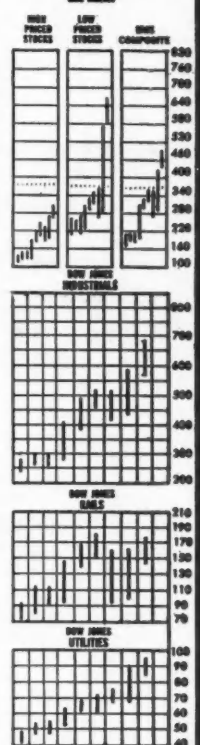
Business Outlook Unexciting

The immediate business news remains mostly drab. Unemployment is rising. Total personal income payments are at a new peak but in a top-level phase of nominal monthly changes. Consumers have step-

TREND INDICATORS



YEARLY RANGE 1951-1959
ONE INDEX



ped up savings. They are maintaining record outlays for services and soft goods, while "going easy" on durable goods of all types.

Following an unchanged October level, which was supported by the initial spurt in output of 1961-model cars, the Reserve Board production index probably will be reported at a lower level for November. Depressed steel activity has eased further in recent weeks; and car output has been cut back to check the rise in dealers inventories, which are at a record level for this season. Machine tool orders have fallen further.

With the exception of defense contracts in hands of a minority of specialized companies, new bookings of manufacturers remain disappointing. Full-year department store sales may not exceed 1959's by more than 1% to 2%. Price weakness is the rule in primary commodity markets and in most finished goods—regardless of the reported further creeping rise in the official living-cost index. It will put more weight on profit margins in this recession than was so in any of the previous postwar business adjustments.

The consensus is that the recession will be mild and followed by recovery in the 1961 second half. We agree it will be mild, but consider the time and scope of the eventual upturn as less clear. Keep this in mind: A mild recession could mean a mild later rebound in an environment of excess industrial capacity, plentiful supplies, keen competition, absence of basis for any great

(Please turn to page 320)



INC. TAX	28.75	28.75	28.75	28.75	28.75	28.75	28.75	28.75	28.75	28.75	28.75	28.75	28.75	28.75	28.75	28.75	28.75
COMTY. FUND	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
ARP. INS.	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
CREDIT UNIC	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00



NO "INFLATION" IN THE OFFING

By GEORGE GEBHART

*—A careful appraisal of what we can expect
from Mr. Kennedy in view of the forces
now operating in our economy and abroad*

NO fresh upthrust in the general price level is likely to result from Mr. Kennedy's victory in the recent elections. I repeat, there is no "inflation" in the offing.

To be sure, the Democratic platform contained numerous definite inflationary implications. But, we have to remember, as so often has been said, that a political platform is primarily something a candidate stands on while he is running for office. And, also, that campaign promises usually are forgotten quickly once the election is over.

Of even more importance than the Democratic platform and rash statements made in the heat and fury of a political campaign is the true nature of John Fitzgerald Kennedy himself. As we see him, he is essentially a conservative young man with a rather thin veneer of "liberalism." He could hardly be otherwise in the light of his wealthy family background, and his voting record tends to bear

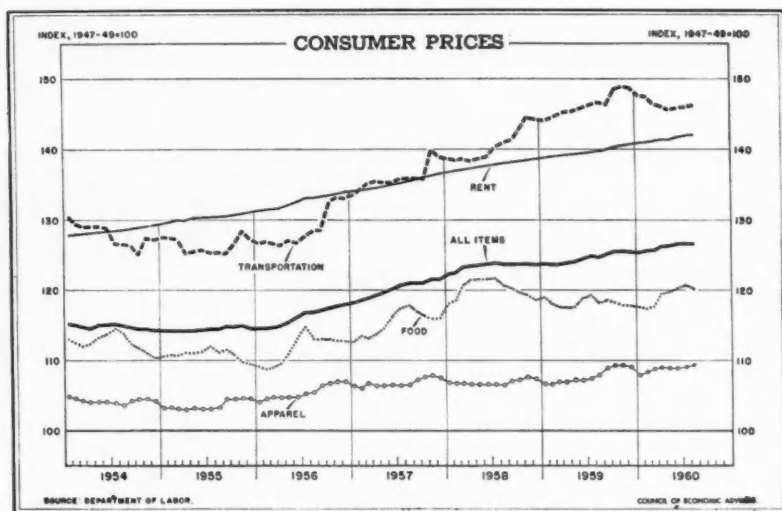
this out.

In the final analysis, it may well be JFK himself—rather than a more conservative Congress or the absence of any "mandate" in the light of the extremely close popular vote—that proves to be the roadblock to radical legislation of an inflationary nature.

All Hemmed In

The new administration, furthermore, will be the "victim" of circumstances that virtually prohibit any free wheeling, free spending spree such as many business men have feared.

Mr. Kennedy, as the closeness of the popular vote demonstrated clearly, has no "mandate". Congress is well aware of this. We will be hearing soon of a proposed \$85 billion budget for the new fiscal year which, if actually approved, would prove to be inflationary unless accompanied by measures to in-



crease Federal revenue.

►There is scant likelihood, however, that Congress will approve any great appropriations of a "welfare state" nature. There is no crisis, no sense of urgency such as prevailed 28 years ago. Moreover, it should be well remembered, the Old Guard still will be holding down some of the most important committee chairmanships in Congress.

No one is opposed to "growth", but the question is whether growth can be forced artificially without running the risk of ultimate collapse. Everyone likes to hear that everything will be so much bigger and better in 1975 or 1985, but there is widespread belief that the slower "natural" way to get there is preferable to using stimulants.

►Mr. Kennedy often has been described as a "young man in a hurry", but he undoubtedly will find that he has to cultivate patience in order to get along with Congress.

All Fenced In

►Economic circumstances well beyond the new President's control, at least for a considerable period of time, are likely to exert substantial restraints upon moves of an inflationary nature.

►Artificially cheaper and easier money, we are sure, would precipitate the outflow of gold from United States supplies and would create a situation that would threaten seriously the stability of the dollar. Eventually, the trade imbalance may be overcome but this is not going to happen overnight.

►If the setback in business activity continues, money will become easier and cheaper naturally. In fact, that already is happening, and has been in part the cause of the outflow of gold in recent months.

►The Eisenhower Administration has been walking the tightrope for months now, endeavoring on the one hand to ease money a little in order to prevent a business collapse and, at one and the same time, facing the necessity of keeping money sufficiently tight to prevent stepped-up demand for gold.

►For the United States, this is a comparatively new situation, one that neither Mr. Kennedy nor his economic advisers have encountered in their text-

books. The Keynesian concepts of cheap money and free wheeling government spending never contemplated an international economic and political situation such as exists today.

Conservative Liberal

Under the pressure of events, liberals often go conservative and vice versa.

►In this connection, it is quite interesting to note that Dr. John K. Galbraith, President-elect Kennedy's financial adviser, recently urged a unified program of economic, military, and diplomatic policies to assure the soundness of the dollar.

►He advocated lowering the costs of production of manufactured goods in order that exports

may be increased and United goods made more competitive with imported goods in our home market.

►He stressed the fact that our leadership in agricultural efficiency is unchallenged, and warned against sacrificing this advantage by a system of price supports that price us out of overseas markets.

These pronouncements, made before the American Association of Land Grant Colleges and State Universities, certainly do not seem in keeping with the Democratic platform adopted at Los Angeles last Summer.

There is nothing inflationary, apparently, in Dr. Galbraith's current "ideology".

Now that the election is over, he is facing up to the realities of the situation. This, we feel, is likely to be the tenor in the period ahead.

►The wild-eyed "do-gooders", who plumped so hard for Mr. Kennedy both before and after his nomination, will soon discover, in all probability, that they must tone down their ideas to more conservative standards or be left in the lurch. It may not be long before we hear some of them shouting that they have been "betrayed". This, we feel sure, would not hurt the feelings of the business community.

The Farm Dilemma

One of the most inflationary aspects of the Democratic platform adopted at Los Angeles was the farm program.

►This called for (1) production and marketing quotas of a rather rigid nature, (2) loans on basic commodities at not less than 90 percent of parity, (3) establishment of food reserves for national defense, (4) a food stamp plan for very low income groups, (5) give-aways of farm products to countries abroad that have low standards, (6) and the use of liberal farm credit in order to preserve the family farm.

►Adoption and implementation of such a program undoubtedly would lift food prices substantially, although possibly not as much as the 25 percent contended by Mr. Nixon. Since the average family spends about one quarter of its income for food,

any artificial elevation of the grocery bill would be certain to touch off demands for higher wages.

The wage-price spiral, which has almost stopped spiraling during the past few years, would be given revived impetus.

►As the election returns in the Farm Belt indicated, the majority of farmers is opposed to rigid controls of acreage and production, even though they might result in higher unit prices for farm products. The Farm Bureau Federation, the largest and strongest of the farmers' organizations, has consistently favored easing of controls and the restoration of free or nearly free markets for farm products as the only solution to the farm "problem."

►Mr. Kennedy's main support, it must be remembered, came from the cities and towns. Even before the election, it is understood, some of the union leaders supporting Mr. Kennedy became concerned lest a new farm program send food costs rocketing. Union chiefs, even though they desire to obtain more and more for their members, do not want to renew chasing the rainbow of ever higher wages and ever higher living costs. To a very large extent, they have been concentrating in recent years on "fringe benefits" for their members rather than higher wages per se.

Since the urban population has been rising while the farm population has been shrinking, the pressure to hold down the cost of living is greater than the pressure to "do something" for the farmers.

Theory versus Practice

Unquestionably, new farm legislation will be introduced in Congress. Eventually, as a result of Congressional action, prices of farm products may be stimulated a little. However, this is not going to happen for a long time.

In all probability, the heads of the important farm organizations will be asked to give their views on desirable new agricultural legislation. There is scant likelihood that they will be able to come to any sort of agreement within many months, if at all.

Some type of emergency legislation may be enacted for wheat, where the surplus problem is truly serious. The new Secretary of Agriculture may ap-

prove a higher support price for cotton, partly as a result of the improved supply-demand situation and partly to reward the South for the support it gave the Democrats.

►Efforts to move surplus storage stocks of farm products into distribution both here and abroad may be accelerated. In this latter connection, however, it should be noted that our present efforts to move surpluses into use abroad have hurt farmers in some friendly countries, who complain that they have lost part of their historical markets as a result. Accordingly, it is problematical whether very much can be done without straining relations.

It well may be 1962 or even later before Congress gets around to approving any really new and important agricultural legislation. And, after analyzing all aspects of the situation, including the effect on consumers' pocketbooks, it might not be too surprising if Congress eventually approved legislation more closely in line with the views of Secretary of Agriculture Benson than with those embraced in the Democratic party platform.

With the 1952, 1956, and 1960 election returns in mind, there is unlikely to be any attempt to woo farmers back into the Democratic fold that will alienate the city workers.

►The farmer-labor coalitions that strongly supported Franklin D. Roosevelt are a thing of the past and cannot be revived. The farm population has so shrunk in importance that it need not be "coddled", particularly since any such coddling is likely to result in the loss of more votes in the cities and towns, where consumers are concentrated.

National Importance

From here on, the gauge for new legislation is likely to be its national economic importance.

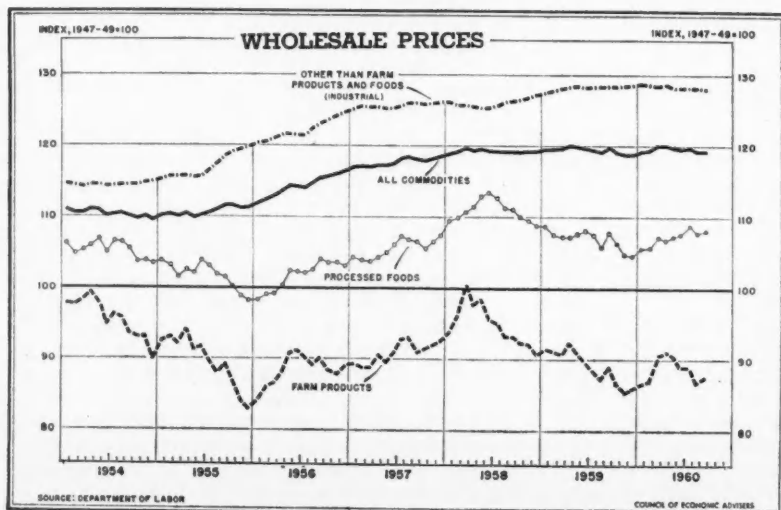
►In some areas—such as civil rights, federal aid to education, and medical care for senior citizens—the Kennedy administration may be expected to be "liberal" or even "radical". But, in economic and fiscal matters, those that affect the stability of the dollar, conservatism and caution may be anticipated.

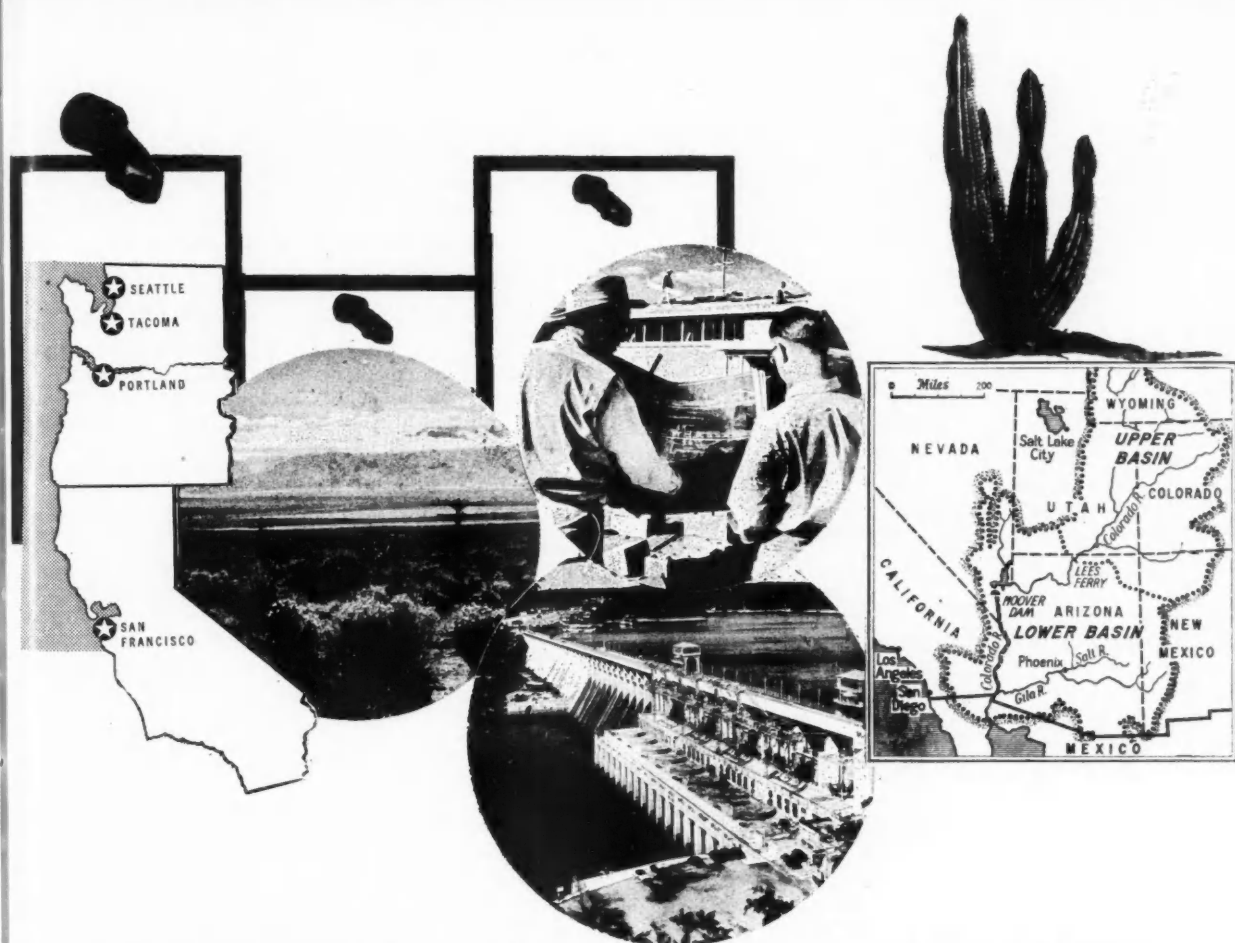
►A new farm program that threatened to raise the cost of living, and touch off a fresh upsurge in the wage-price spiral and resultant assault upon the value of the dollar, apparently has little chance of enactment.

►Quite obviously, increased "welfare" activities of the Federal Government could result in budgetary deficits and resultant inflationary impetus, unless the increased expenditures were offset by larger Federal income.

In this connection, however, it will be remembered that Mr. Kennedy never has hesitated to state that, if necessary, taxes would be raised. Regardless of what the Democratic platform may have said, the President-elect has indicated a high degree of fiscal and monetary responsibility.

►In the event of a serious business recession, some of this re- (Please turn to page 314)





SPENDING BILLIONS of DOLLARS (Approved by States and Municipalities) AS SHOCK TREATMENT for OUR ECONOMY

By ROBERT B. SHAW

- ▶ Revival of regional economic responsibility as states and localities take up the slack
- ▶ Giant \$1.7 billion California water plan to make the vast deserts of Southern California bloom ... where Arizona, New Mexico and Utah act to make arid wastes habitable and fruitful
- ▶ Other important projects in the West and in the East move to revitalize stagnant areas ... rehabilitate dormant sections ... and open up avenues for industrial resurgence

THREE weeks ago on Tuesday the nation's voters elected, in one of the tightest contests for many decades, a new president and vice-president. For the loss of these major posts the Republicans did receive some solace in the form of gains in the House of Representatives and Senate. The race for lesser offices also attracted keen interest in some localities.

But what is not so well realized is that the electorate simultaneously approved the largest state and municipal projects ever placed on the ballot on a single occasion. These programs could, in the aggregate, have an economic effect not a great deal less significant than the choice of the president. It

is certain that they point out vast new areas of employment and also mark a very considerable revival of regional responsibility for conservation and development.

Specifically, total bond proposals estimated at \$3,652,000,000 were placed upon the ballot. This is considerably higher than any earlier corresponding figure, exceeding the previous \$2,682 million peak for 1956 by 36%. What is most impressive is the unusually high proportion of approvals. On the basis of the final count on all but a few small issues it looks like about 92% of the dollar total has been accepted by the voters.

This is a remarkable achievement particularly in the light of the prevailing mild recession, which might have been expected to suggest a more economical attitude to the tax-paying public. If this signifies recognition by our citizens of the need for stimulating our economy, and their interest in doing so, then we can put this vote down to a healthy growth of economic understanding by the public that can stand us in good stead.

Only once before, in 1951, with 96% approval—on a very much smaller volume of proposals—has the present level of voter ratification been exceeded. Only a year ago (perhaps because the absence of important national contests brought a much smaller turnout to the polls), 42% of the bond proposals then set forth were defeated.

But state and municipal bond proposals are not placed before the voters only on general election day in November. On the contrary, such projects may be brought up at a multiplicity of local and special elections, and \$2,373 million of issues had previously received public sanction during the ten months

through October. Although proposals were naturally somewhat reduced in the several months preceding the November election, the figure just given already ran \$775 million, or nearly 50%, above approvals for the corresponding period of 1959. For 1960 as a whole, state and local bond approvals at the polls should approximate \$6 billion.

A Resurgence of Local Governments

Further, while a growing tendency exists to submit major projects for the approval of the electorate, bond issues so voted do not come close to comprising the annual totals of state and municipal financing. On the contrary many bonds, particularly for refunding purposes, are issued under the general powers of state and local governments, as well as by the growing number of "authorities" divorced from direct public control. Total state and municipal bond flotations are now approaching an annual level very close to \$8 billions—a figure which is by no means puny even in terms of federal expenditures.

The current heavy volume of "municipal" financing—and this term will be used to cover both state and local jurisdictions—illustrates a recent significant modification in governmental relationships that may still be largely unnoticed. Until about 1930, as only a decreasing number of our citizens can recall, "government" meant primarily the state house, or perhaps merely the local county courthouse. Nearly all of the reduced services which government was then expected to provide originated in these nearby offices, while Washington's main responsibility was the delivery of the mails.

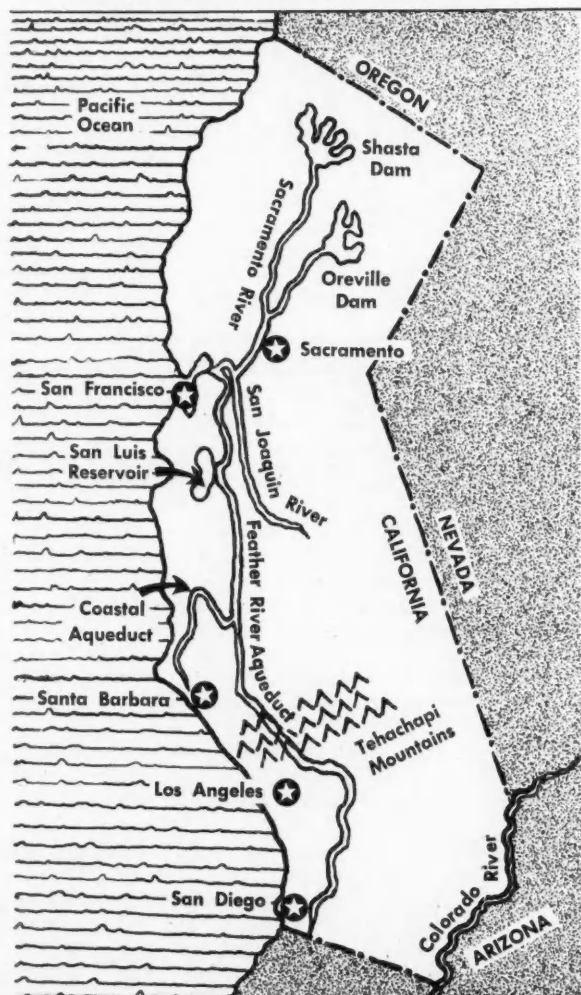
A decade of depression and a major and a minor war changed that comfortable pattern radically, so that many citizens have come to look to Washington for every benefit, however local in character. Just the same, a partial reversal in this relationship has occurred within the past ten years, as state and municipalities have rapidly expanded their spending for projects of all kinds. The trend is illustrated concretely by the accompanying table of recent annual municipal bond flotations. In the 30's this ran around \$1 billion annually, and was slashed during the war when nearly all non-military projects had to be shelved. But in 1946 municipal bond issues entered an unended period of accelerating growth; since 1950 alone long-term debt incurred annually has more than doubled. It looks like this figure may drop narrowly for 1960, reflecting the defeat of so many issues in the November 1959, election, but the large approvals just voted presage considerably heavier municipal financing next year.

This partial revival of local responsibility may not be regarded with unalloyed satisfaction; many taxpayers may feel that they are now being equally oppressed by local and national governments for many projects formerly regarded as frills. And it remains to be seen whether this reemphasis upon local initiative will be pressed in the forthcoming Kennedy regime. But, the question of the character of these expenditures aside, it is hard to doubt that the trend toward state and community responsibility is a healthy one.

New Types of Public Expenditure

So much for the source and size of these municipal bond offerings. More interesting is the purpose of

Proposed California Irrigation System



Map shows the proposed Feather River Aqueduct, to bring irrigation to Southern California

the resultant funds.

Because municipal issues have been so diverse, and frequently blanket several programs under a single offering, it is difficult to compile a full schedule of their purposes. Nevertheless, the examination of recent proposals reveals some significant changes in the type of projects being carried out by state and local governments.

Traditionally, of course, the provision of schools has been regarded as the primary function of local government, and 27% of all municipal indebtedness outstanding in 1957 was issued for this purpose. **Highways** ran a close second, and the advent of the toll road system in recent years doubled local activity in this sphere. Other utilities came third, with 17% of total indebtedness in 1957, although a recent pause has occurred in the earlier trend toward municipalization of utility services.

Housing, although often provided by authorities bearing local names, has been essentially a federal project. Within the past several years, however, several states, such as Massachusetts, have entered the housing field, not so much for slum clearance as to provide a workable prototype for the care of the elderly. These conventional areas of municipal expenditures will remain dominant for years to come. Nevertheless, rapidly growing population pressures, in conjunction with higher general prosperity and the resultant downgrading of former luxuries to "necessities," is already producing a visible shift of emphasis in the type of projects being submitted for public approval.

Various Related Programs—Programs to render higher population densities within existing urban areas tolerable or to open new areas to development are becoming increasingly essential. Specifically, this means more water and natural resource conservation projects. The growing congestion also seems to be prompting an increasing participation of municipal government in the field of recreation, an area formerly regarded entirely as a personal matter. The appropriation of so much land for housing and factories suggests, however, that governments must intervene to protect some areas for future exercise and relaxation.

Industrial Development—A different response to the same conditions is evidenced by the tendency of many municipalities to issue bonds for industrial development. This is largely, of course, a competitive move on the part of smaller communities to attract a larger share of the nation's growing industrialization.

States Meeting New Sewage Needs

Although hardly a captivating subject, the difficult problem of water pollution is an important consequence of population growth and industrialization. Traditionally, communities have handled sewage and industrial wastes merely by dumping them in the nearest stream. This practice was perhaps not quite as objectionable as it sounds, for streams can purify themselves within a certain distance, but in the more densely populated sections of the country some form of sewage treatment has been commonplace for half a century. Now, communities in the West are discovering that they will also have to install expensive sewage treatment systems.

Utah, for example, has already spent \$14 million

Major Bond Proposals (of \$10 million or More) Voted Upon, November 8 *

\$ Millions

1,750	CALIFORNIA— Feather River Water Project
345	ILLINOIS— Various Purposes....
222	OREGON— Veterans' loans, state buildings
153	LOS ANGELES— School buildings
100	KENTUCKY— Various purposes
75	KANSAS CITY, MO.— Sewers
75	NEW YORK STATE— Parks and recreation
50	EARLY CITY, GA.— Paper Mill
47	PHILADELPHIA— Various purposes
47	BALTIMORE— Various purposes
43	SAN DIEGO, CAL.— Sewer treatment plant
35	DUVAL CITY, FLA.— School
30	ST. CHARLES PAR, LA.— Public improvements
30	COLUMBUS, OHIO— Various purposes
25	ST. LOUIS, MO.— Schools — D
25	LOUISIANA— Park Commission
23	ALASKA— Ferry system
20	LOUISIANA— Bridge & Terminal Authority
20	MORGAN CITY, LA.— Harbor and terminal improvements
20	RHODE ISLAND— Bridge project — D
19	RHODE ISLAND— Various purposes
18	CLEVELAND— Various purposes
17	CINCINNATI— Hospital and Medical Center
15	AVOYELLES PARISH, LA.— Park Comm.
15	CONCORDIA PARISH, LA.— Park Comm.
15	KROTY SPRING, LA.— Park Comm.
15	KING CITY, WASH.— Sports stadium — D
14	PASADENA, CAL.— Schools — D
13	SAN FRANCISCO Sewer treatment plant
12	HILLSBOROUGH CITY, FLA.— School
12	ORLANDO, FLA.— Various improvements
11	OMAHA, NEB.— Missouri River sewage plant
10	LORAIN, OHIO— Various purposes
10	SEATTLE, WASH.— Harbor improvement
10	PORTLAND, ORE.— Dock facilities

*—Proposals marked D were defeated. All others were approved.

for the purification of sewage during the last ten years and has \$11 million more projected. In the elections just held Kansas City, Mo., provided \$75 million for sewage disposal, San Diego, Cal., \$43 million, San Francisco, \$13 million and Omaha, Neb., \$11 million. The convenient presence of the Mississippi River and its tributaries provided Middle Western cities with an extremely simple method of sewage disposal, and many of these communities are only accepting reluctantly, and under the insistent prodding of the federal government, the necessity of building expensive plants to do what "Old Man River" formerly did for nothing. St. Joseph, Mo., has in fact, twice voted down a proposed \$9.5 million

Bond Proposals — Amount Submitted at General Elections * 1950-1960

	Total Submitted	Approved	Defeated	Percent Approved
	In millions of dollars			
1960	\$3,652	E 3,350	E 302	92%
1959	1,358	786	572	58
1958	2,527	1,882	646	74
1957	940	775	164	82
1956	2,682	2,472	210	92
1955	1,523	556	967	36
1954	1,589	1,397	192	88
1953	926	850	76	92
1952	1,461	1,242	220	85
1951	1,142	1,097	45	96
1950	958	654	304	68

*—By states and subdivisions thereof.

E—Estimated.

Source: The Bond Buyer.

sewage treatment plant, and is now the defendant in a suit by the federal government to force it to build these works. Altogether, the Public Health Service is calling for the construction of sewage treatment plants reaching a total cost of half a billion dollars along the Mississippi and Missouri Rivers. The effort of riverine communities to get the federal government to bear the major cost of anti-pollution measures was defeated by an Eisenhower veto, but may, of course, be renewed under the Kennedy regime.

Sanitary sewage and waste disposal should not be regarded merely as a negative process. On the contrary, this is a form of conservation, directed chiefly at making the affected streams safe for reuse by the next community down-river. In many cases, in fact, the hazard is not so much bacterial contamination as the depletion of oxygen, which makes the streams unfit for normal fish and plant life.

As an interesting side light, the widespread use of detergents has created an entirely new problem in water control. Many modern plants quite capable of clearing ordinary sewage wastes out of water and making it perfectly safe to drink have been stymied by the presence of detergents which it has proved impossible to screen out.

Other Projects

One of the larger measures approved in this month's election was a \$75 million dollar *New York*

New State And Municipal Security Issues 1939-1960

(In Millions of Dollars)

1960	E 7,400	1949	\$ 2,907
1959	7,682	1948	2,690
1958	7,447	1947	2,324
1957	6,958	1946	1,157
1956	5,446	1945	795
1955	5,977	1944	661
1954	6,969	1943	435
1953	5,558	1942	524
1952	4,121	1941	956
1951	3,189	1940	1,238
1950	3,532		

E—Estimated.

State bond authorization for the purchase of parks and recreational sites. This proposal, which passed easily, is a stop-gap measure for the acquisition of land in urban and suburban areas before it is all swallowed up by housing or factories. Actual development of the properties will have to be financed by subsequent appropriations.

In *Cleveland, Ohio*, the voters ratified a \$10 million bond issue for an auditorium. A proposal to build a \$15 million sports stadium as a public project in King County, Washington, was, however, narrowly defeated by the voters.

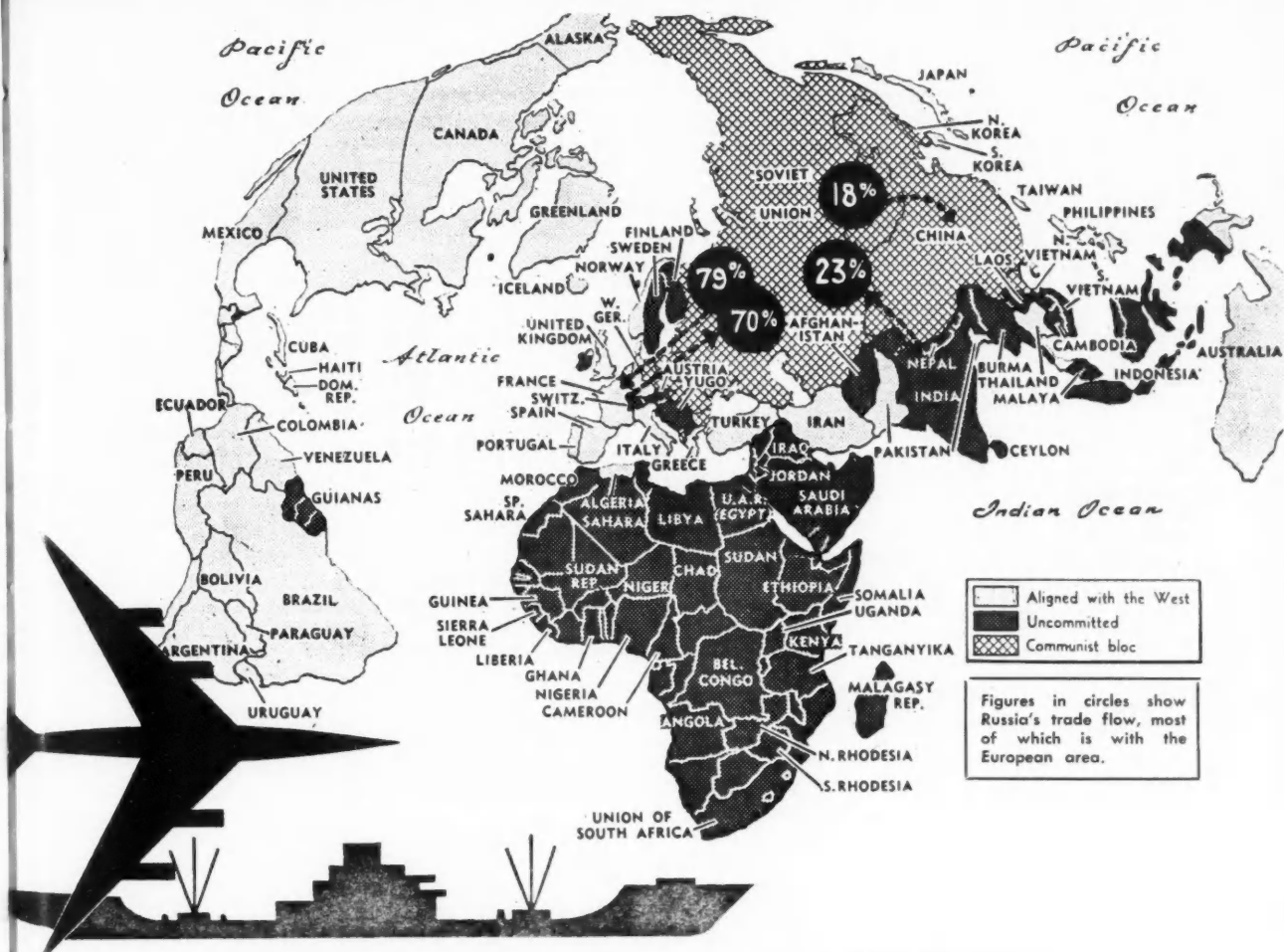
Among other projects that may still be considered novel for public bodies, nearly \$100 million in harbor and terminal improvements were approved by various *Louisiana* communities. A still more controversial measure was the overwhelmingly supported proposal in Early County, *Georgia*, to build a \$50 million, 600-ton a day kraft paper mill. This rural county of only 17,000 population was eager to introduce industrialization and create factory jobs, and the projected plant will be operated by a new company created solely for this purpose. While programs for the local encouragement of industry, often including indirect subsidization, have been familiar for several decades now, the Early County project goes a bit beyond any previous measure, and it could have an important economic significance if it is widely imitated in the future.

Giant \$1.7 Billion California Water Plan

But among proposals on the ballot in the recent election one single scheme—the California water project—easily dwarfs all others. In fact, this one and three quarter billion dollar outlay was the largest ever placed on a single ballot, and even exceeds in magnitude federal projects as TVA (about \$1.5 billions) or the St. Lawrence Seaway (\$1.1 billion). Like the presidential election the water plan was closely contested, and looked like it had been defeated at one stage of the vote counting, but squeaked in on the basis of late returns from the southern part of the state.

As this project by itself represented nearly half of the value of all bond proposals on the ballot November 8, it deserves closer examination. Although California is now the second most populous state, it includes vast areas of near-desert topography. Water resources in the state are generous, but unfortunately these are concentrated in the north, 400 or 500 miles from the southern California region where water is most needed. Already large areas of former waste land have been turned into productive soil by irrigation, and the state is the leading grower of many fruits and vegetables and second only to Texas in its output of cotton. The water table is, however, being depleted rapidly and irrigation has reached its limit in the south on the basis of all nearby sources of water.

The solution to this problem just adopted is the movement of water from the Sacramento, Feather and other northern rivers down the San Joaquin Valley by a new aqueduct to points as far south as San Diego. The first water impounding unit will be the Oroville Dam on the Feather River, the tallest dam in the Western Hemisphere, with a projected height of 750 feet. The aqueduct will pierce the Tehachapi Mountains in (Please turn to page 313)



UNITED STATES and U.S.S.R. As Contenders for World Markets

By Dr. EUGENE VAN CLEEF

- ▶ Why the U.S.S.R. must look westward for its trade . . . U.S. excepted
- ▶ Climatic and topographical handicaps—for nature has not been, and is not now friendly toward the Soviet people
- ▶ Problems of food supply—transportation difficulties—industrialization handicaps and costly long hauls of raw materials
- ▶ What prospect for Russia's trade growth in the East—industrial machinery—consumer goods under bare level of purchasing power in Asia?
- ▶ U.S.S.R. as potential competitor in U.S. export trade markets under problems of product duplication
- ▶ Fallacies and facts that must be faced realistically in relation to the Soviet Union

THE U.S.S.R. has considerable frontage upon Pacific waters but its leaders focus most of their foreign interest upon the western world. What is more, nearly three-fourths of the population live in the European portion of its vast area. These facts may serve to explain in part why the Soviets so often use the word "co-existence" when concerned with the West.

A small portion of the peoples of the U.S.S.R. consist of Mongolians, whose logic is oriental in flavor, difficult for us to comprehend. Yet the fact remains, the mass of people, largely Slavic, have a strong desire to emulate the West and to be accepted as

westerners. Consistent with this attitude is their program to industrialize, thereby to raise their standard to the level of the West and so to become one of the world's dominant influences. Naturally, this ambition is one of prime interest to us in the U.S.

Theoretically, as standards are advanced purchasing power increases. If this should come to pass in the U.S.S.R. upon the grand scale projected by its leaders, then the American businessman may be profoundly affected. He might be the beneficiary of a substantial market or he might be faced with another keen competitor, or both. This situation deserves investigation to the end that we be prepared,

Comparative Production For The U.S.S.R. And The United States - 1957

Comodity	Units	U.S.S.R.	U.S.A.	USSR Production as % of USA-1957
Coal Output	mil. metric ton	463.0	529.7 (1956)	87.4
Petroleum (Crude Oil)	mil. metric ton	98.3	411.9	23.9
Pig Iron	mil. metric ton	37.0	80.8	45.8
Steel Ingots and Castings	mil. metric ton	51.0	116.0	43.9
Copper	thou. metric ton	—	1,050.0	—
Cement	mil. metric ton	28.9	60.0	48.2
Electric Power	bil. K.W. hrs.	209.5	631.4	33.2
Tractors	thousand	204.0	542.1	37.6
Autos and Trucks	thousand	480.0	7,190.5	6.7
Cotton Cloth	mil. meters	5,600.0	8,744.4	64.0
Paper	thousand tons	2,126.0	30,700.0	6.9
Woolen Cloth	mil. meters	282.0	440.0	64.1
Leather Footwear	mil. pairs	315.0	510.5	61.7
Hosiery	mil. pairs	845.0	1,960.6	43.1
Butter	thou. tons	621.0	706.7	89.3
Grains, Gross output	mil. met. tons	90.0	140.0	64.3

Courtesy, Mikhail Condoide, Bureau of Business Research, The Ohio State University.

The similarity in the kinds of major commodities and the notably greater output in the U.S.A. offer abundant evidence of the limited basis for trade between these two nations.

if need be, to revise our own program to meet economic eventualities.

Russian Trade Remains Oriented toward Europe

In the years immediately prior to World War II, 80% of Russian exports went to Europe and 66% of its imports came from Europe. About 18% of the exports were shipped to Asia, exclusive of Siberia, and 23% of the imports came from the same area. Thus, the remaining 2% of the exports and 9% of the imports divided among the rest of the world's nations left only a negligible traffic for any one of them.

Of outstanding importance is the fact that Russian exports originated primarily in the European section of that country, to which also came the imports.

In 1958, for which year the data seems reasonably dependable, the Soviets shipped about 79% of their exports to European nations and brought in some 70% of their imports from the same area. These figures show essentially no change from pre-World War II in the percentage distribution of exports and imports. But it is significant that roughly 58% of the exports went to the Soviet Bloc in eastern Europe and 64% of the imports came from the same region.

Trade with Asia, percentage-wise, changed little from 1938. This latter trade has been quite erratic in amount and the range of variability considerable. These data are not to be viewed as necessarily accurate, but at least a fair approximation of the facts.

Inhospitable Climate Restricts Soviet Opportunities

The trend in direction of Soviet trade can be accounted for in large part by the physical setting of its more than eight million square miles of area which connect the Atlantic and the Pacific basins. Nature never has been friendly toward the inhabitants of the region. The struggle for survival has always been discouraging.

High latitude, vast swamp areas, severely cold winters, exceptionally hot deserts, high rugged

mountains, extensive areas of permafrost, frequent high winds, cold waves, hot waves, and mosquito swarms, are but a few of the elements which have challenged these peoples of many assorted anthropological and linguistic characteristics.

In the Siberian area where the average temperature for July (over considerable areas) is 60° F. and for January—81.4° F. and where frost can occur on almost any day of the year, even though the so-called frostless season ranges between 60 and 200 days, people do not clamor to settle. Some soils are permanently frozen to depths of more than 100 feet and, over extensive areas, rarely does a layer of more than ten to twelve feet thick thaw out. It is reported that in some of the new northern cities steam pipes are laid alongside water and sewer mains to keep them operational. Furthermore, much of the region is either waterlogged or so rugged as to be unsatisfactory for settlement. Southwestern Siberia is more attractive.

In the northern third of the European section of the U.S.S.R. are uninviting heavily forested areas and extensive swamps. In the vicinity of the Caspian Sea in the southwest, semi-arid lands dominate the landscape. So it is that in this empire most of the population is concentrated in the central and southwestern portions, and in all probability this distribution will prevail for an indefinite period of time. These circumstances restrict food possibilities, not to say agriculture in general. They also hamper communication, particularly transportation, and constitute severe limitations upon trade development. These handicaps play a large role in discounting the overall economic effectiveness of the vast area of the U.S.S.R. when compared with that of the United States. Soviet territory contains nearly 2½ times the area included within our fifty states, but the net livable area is scarcely more than we enjoy.

Limited Food Supply a Handicap

Limited food potentialities for some 210,000,000 persons means that either food consumption must be

restricted to a relatively simple diet, in some instances inadequate in nutriment, or it must be supplemented by imports. Someone may argue that nothing is wrong with dependence upon imported food. See what England has done for well over a century! The situations are hardly analogous. England's population has been relatively small. The island nation has been readily accessible for ships plying the world's major trade routes; and in a period when coal was a major factor in ship operations she possessed the world's finest bunker coal which served as an incomparable magnet for ships and their cargoes from all points of the compass. Furthermore, the juxtaposition of her high quality coal and iron made possible intensive manufacture of products which an evolving world eagerly sought. Most nearby nations had been, and in certain instances still are, dominantly agricultural as are also most of the components of the British Empire, all in the market for finished goods for which they could pay with surplus food and other agricultural commodities. In addition, the members of the Empire have been significant suppliers of raw materials which England processed and sold abroad. So it was that England prospered even though dependent upon the outside world for food.

We do not minimize the Soviet possibility for further development nor the progress which the Soviets already have made in ameliorating the obstacles with which nature has confronted them. Their farm technicians have succeeded in extending their agricultural lands. Their new atomic powered ice-breakers are giving them greater mobility along their long northern coastline. The airplane has made readily accessible many localities previously isolated and has also stepped up the movement of freight as well as persons. Despite, however, their willingness to work hard, the progressive spirit of their leaders with respect to the adoption of the newest ideas available, and the fact that the outlook is better than had been at one time anticipated, careful stocktaking reveals the road ahead as still intricate and difficult.

Exceedingly Low Asian Purchasing Power Vetoes Development of Soviet Trade

It is doubtful whether any considerable trade can evolve between the U.S.S.R. and the rest of Asia owing to the latter's extremely low per capita purchasing power. It is one thing to measure a market in terms of the number of persons who occupy a region and quite another to gauge it in terms of the people's purchasing power. Per capita income is so small that little of it is available for the purchase of foreign goods.

Note.—In 1959, India's imports from all nations

was only \$4.62 per capita and Nationalist China's \$1.50. These figures cover about 70% of the population of Asia exclusive of the Soviet portion, and may be compared with per capita imports of about \$74.00 in the United States. In making this comparison we should remember that our standard of living is incomparably higher than among the masses in the Orient and that our productivity is so vast our need to import is notably less. We should also bear in mind that the per capita imports do not always represent actual imports by individuals. For example, whereas India's imports are recorded as \$4.62 per capita, the actual purchasing power for all purposes is only \$1.10 per person. Needless to say, many persons are not directly concerned with imports. The nation's purchases are concentrated in capital goods involving much equipment for public projects and for some large manufacturing installations.

Those who are optimistic about Asiatic nations—

particularly China and India—as markets for the U.S.S.R. assert that industrialization will bring about the realization of their anticipations. Although industrialization is advancing in these countries, their geographic conditions are such as to make the action exceedingly slow. Few of the Asiatic countries produce anywhere near enough food for themselves. Their known natural raw material resources are limited and their facilities as yet for manufacturing operations are rigidly restricted. In order to buy from others they must produce agricultural commodities, raw materials, or finished goods with which to pay for their imports.

No evidence as yet suggests that this action can attain considerable proportions in the near future. In the meantime the Soviets cannot be expected to

await the Asiatic development.

Second Thoughts on Industrialization

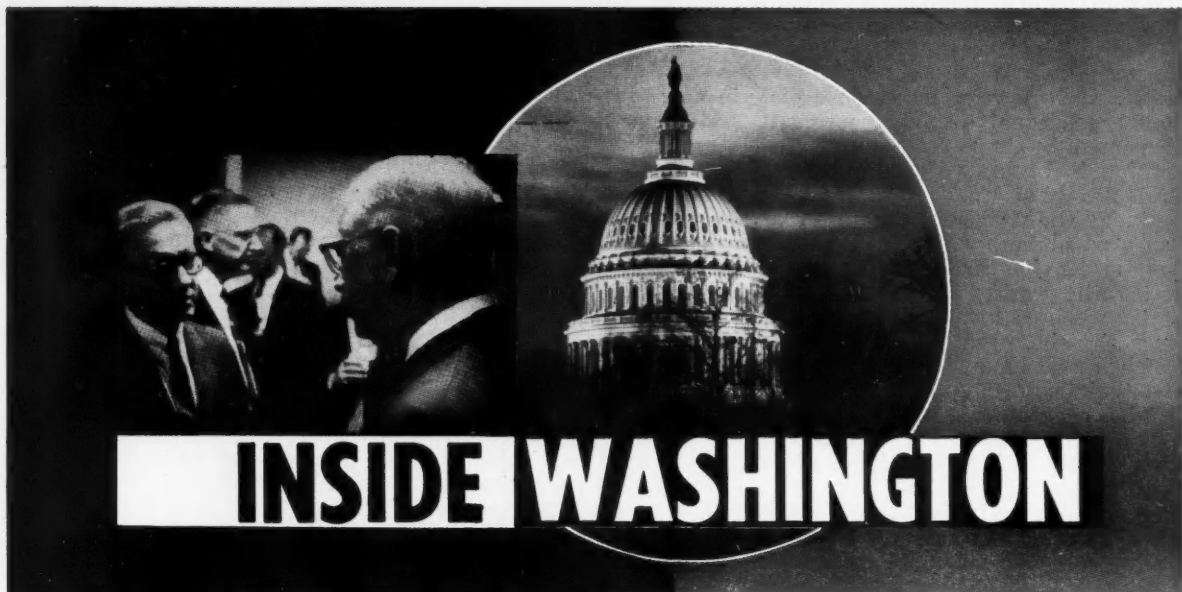
Industrialization, that much desired goal of backward nations, deserves a closer look. The validity of the popular argument that industrialization makes for greater purchasing power and higher standards of living depends upon how much time the proponent has in mind, and what era of man's economic evolution he is thinking about. The theory has held reasonably well to date. But because it has been so, we should not assume it will always be so. We must remember the occupancy of the earth has been in progress for some thousands of years and in the course of these first years the people, then relatively few in number, exploited its materials about wantonly.

Today, however, population is growing at an unprecedented, not to say frightening, rate. With limited area for settlement and for the production of food, minerals, and power, and with due allowance for man's inventive genius (*Please turn to page 311*)

Per Capita Imports For Selected Countries - 1959

United States	\$ 74.00
Burma	10.90
Ceylon	43.80
China	1.50
India	4.62
Indonesia	5.12
Iraq	47.00
Israel	208.00
Japan	40.00
Pakistan	4.07
Philippines	20.55
Taiwan	22.57
U.S.S.R.—estimates range from 3.20 to 20.00	
Argentina	48.12
Brazil	21.20
Chile	55.60
Mexico	30.00
Peru	28.00
Uruguay	50.00

* 1957 data.
Data from United Nations — ICA reports.
In most instances data are not to be interpreted as exact but rather as close approximations.



BY "VERITAS"

PATRONAGE will be the new President's biggest "lever" in trying to force his "New Frontiers" program through Congress. It will be a potent lever, but not necessarily a totally effective one. It is true that the Democrats have experienced eight job-hungry years—choice political plums going to the Party of the Opposition—but the majority will not be venal enough to trade support of Socialism for political appointments in their respective Districts. Some will

swap votes for appointments, but they will be in the minority, while appointments subject to Senate confirmation will get more than careful scrutiny—if too pointedly political the Senate action will be adverse. Awaiting the new President's appointive pen will be about 40 new Federal judgeships. The new judiciary posts are certain to be approved by the incoming Congress—they were deferred by the last Congress in the expectation that the Democrats would take the White House. They will be choice plums, tempting to many in the national legislature, but there will be a wary eye to the slim "mandate" Mr. Kennedy got on November 8. In passing, patronage will very likely be at the choice of the President-elect's younger brother Robert, Chief Counsel of the Senate Labor Rackets Committee.

WASHINGTON SEES:

Lessening of Russo-made European tensions are very definitely here, may even become lighter, as Khrushchev "plays all his cards" in an attempt to draw the new Administration of President-elect John F. Kennedy into a Summit Conference early in the coming year.

East Germany, Red-dominated satellite, has already eased her transportation and economic pressures on West Berlin and will further taper off in the coming weeks. She does all this on direct orders from Moscow, her military support in the event of a shooting war.

In the meanwhile, Khrushchev will not put a stop order on his main Western Hemisphere stooge, Fidel Castro, who has instructions to keep troubles brewing in order to maintain the United States in a state of uncertainty—on edge, so to speak.

Concomittant with the upcoming and further Latin disturbances will be Red-made troubles in Algeria and Morocco. The first designed to keep France in a state of uncertainty, the latter to force us to abandon our Air Bases there before 1962, agreed upon date for withdrawal.

Khrushchev, aware of the "vacuum" that will exist here between now and Jan. 20, is still respectful of our military might, wants no direct entanglement with the U.S. in Europe (Berlin in particular), but will continue his Latin-American and Congo harassments.

CABINET selections are a "dime a dozen" in Washington at this time. It would be futile to guess them now. Indications are that Mr. Kennedy may select one Republican (maybe two) to give a bi-partisan flavor as we fight the cold war with Russia. It would be in keeping with the World War II policy of the late Franklin D. Roosevelt, and Mr. Kennedy and his forces are certainly trying to build him in the FDR image. Their success on that score is doubted, but it is a certainty that he will be built up as a bold new crusader with bold new ideas. It happens, however, that Congress may have differing ideas. In short, the legislative body will look at the far-from-overwhelming mandate the President-elect hoped for.

NIXON will very definitely remain in politics—not only as titular head of the Republican Party, but as a force to be reckoned with by the incoming Administration. His knowledge of foreign relations is so vast—and so minute—that Mr. Kennedy may yet be forced to call on him as advisor and consultant, just as former President Truman asked former President Herbert Hoover to solve our entangled government organizational picture. If asked, Mr. Nixon will serve, but his personal preference is to remain on the side-lines—let the new President "stew in his own juice."

As We Go To Press

Roads Probe Will Avoid Massachusetts To Prevent Embarrassment Of New President. A House Public Works Subcommittee, headed by Rep. John A. Blatnik, Minnesota Democrat, will begin hearings on Dec. 5 to study "irregularities" in the Federal Aid Highway program. Blatnik, a confirmed Kennedy Democrat, will start his probe with Florida, but carefully skirt (even avoid) the presently well-known scandals in Massachusetts, home state of the President-elect. It is a fact that Mr. Kennedy had no part in the Highway contracts, but home-state irregularities could be damaging to the new President.

Veterans Mass For Treasury Raid. The election of the Democratic nominee, very definitely committed to a Federal "pie in the sky" program, encourages the several veterans organizations to press demands before the new Congress and the new Administration. Encouraging to the taxpayer is fact that the groups cannot "get together" on their demands,

ranging from \$100 per month tax-free pensions for all veterans of 60 years of age, or older, through more liberalized educational benefits and sharply increased income tax exemptions for the men and women who wore the uniform in any war. The divisions will work against the "raid," Congress will be unable to write an overall measure.

Electoral College Reform Or Abolition Will Not Come About! The razor-edge majority of the winning Presidential candidate has again produced demands for revamping of Electoral College procedure—even abolition of the College—but change is just not in the making. A creature of the Constitution, the College could not be altered or abolished without appropriate Constitutional amendment concurred in (or ratified) by three-fourths of the States, a time-consuming procedure. Further, some politicians would prefer the "status quo" for the simple reason that it makes victory possible for a minority Party. There will be numerous measures of reform introduced early in the next Congress, but they will gather dust and die in Committee pigeon holes. This from a political source of long-standing who says that after 42 years in national politics he continues ready to stake his reputation and career on the flat declaration "there will be no change, now or later, lest future candidates (and Party chieftains) have to campaign on a really nationwide basis rather than concentrate their efforts in the States with the big electoral college votes."

Labor Secretaryship Frets Organized Labor, as well

as the President-elect. Big wheels of organized labor are pushing Mr. Kennedy to select Arthur Goldberg, General Counsel of the United Steel Workers, but is quite possible that Kennedy has other ideas. Best bet at them oment is Archibald Cox, Harvard professor and a former Chairman of the Wage Stabilization Board as well as close advisor to Mr. Kennedy on labor legislation during the last Congress. Kennedy, who has thus far been mum on his Cabinet selections, is not too "sold" on the support he obtained from Labor in the campaign. Further, he would like to yet put Teamster "boss" Hoffa in jail, even though he has to antagonize all organized labor in the effort. Preferred by Walter Reuther of the UAW is Michigan's Democratic Governor G. Mennen (Soapy) Williams, but it is possible that Kennedy might regard his nomination as too patently a political "pay-off"—something to be avoided after nearly eight years carping criticism of the Eisenhower appointments.

Rails Continue Gains Against Truckers. This does not come from the railroads themselves, but from a highly placed inter-city trucking source who privately says that tonnage continues to go down at an alarming rate (about 9% every week—compared with the previous 1959 week. He does not see any real reduction of products for transportation, but declares (1) the railroads and their "piggyback" systems of hauling loaded trailers on flat cars are faster than the highway truckers can render, and (2) the truckers are far too slow in the settlement of loss and damage claims.

Eisenhower Forces Are Being "Gobbled Up" By Private Industry. Washington news men's daily mail carries announcement that this, that or the other figure has accepted private appointment "effective Jan. 20." Some are going with large corporations, others with trade or business associations of nation-wide scope. Mystery of the moment is the future job of James C. Haggerty, the President's Press Secretary; possibly Coca Cola. "Jim" is holding his silence, but educated guessing has him slated to succeed James A. Farley, former Postmaster General and successful pilot of the first two FDR campaigns, now "Coke's" No. 1 publicity man, and possibly hopeful of retirement in the near future.

President's Cut-Back On Unnecessary Overseas Personnel (Primarily Dependents) May Point Up a Trend. As the President stated, his order was to protect our dwindling gold reserves to the tune of around \$1 billion annually. In the meanwhile, it is a fact that the import-export picture is not favorable to the United States. An imbalance is of serious concern—to the present Administration and the succeeding one. Two moves can be foreseen at this time: (1) More pressure on the NATO nations to share the foreign aid burden, and (2) a thorough going survey of our gold losses under the workings of our liberal reciprocal trade agreement policies. As a footnote, it is added that the Bonn (West German) Government recently announced it would make an annual contribution of \$1 billion to the foreign aid "pool." This came after "suggestion" from the International Bank and Monetary Fund meeting in Washington some weeks ago, reported here. Protectionist groups in Washington, and there are several, are now massing—even doubling—forces to lobby before the incoming Congress.

Interstate Defense Highway System Costs To Have Close Congressional Scrutiny. (See also Roads Probe, etc., above.) Construction costs of the System are now sky-high. Five years ago estimated to cost approximately \$23 billion, it has already nicked Uncle Sam for \$39.9 billion, a 73% increase—may pass \$75 billion by 1975 completion. Sen. Harry F. Byrd, conservative Virginia Democrat and Chairman of the powerful Finance Committee, harshly critical of the program

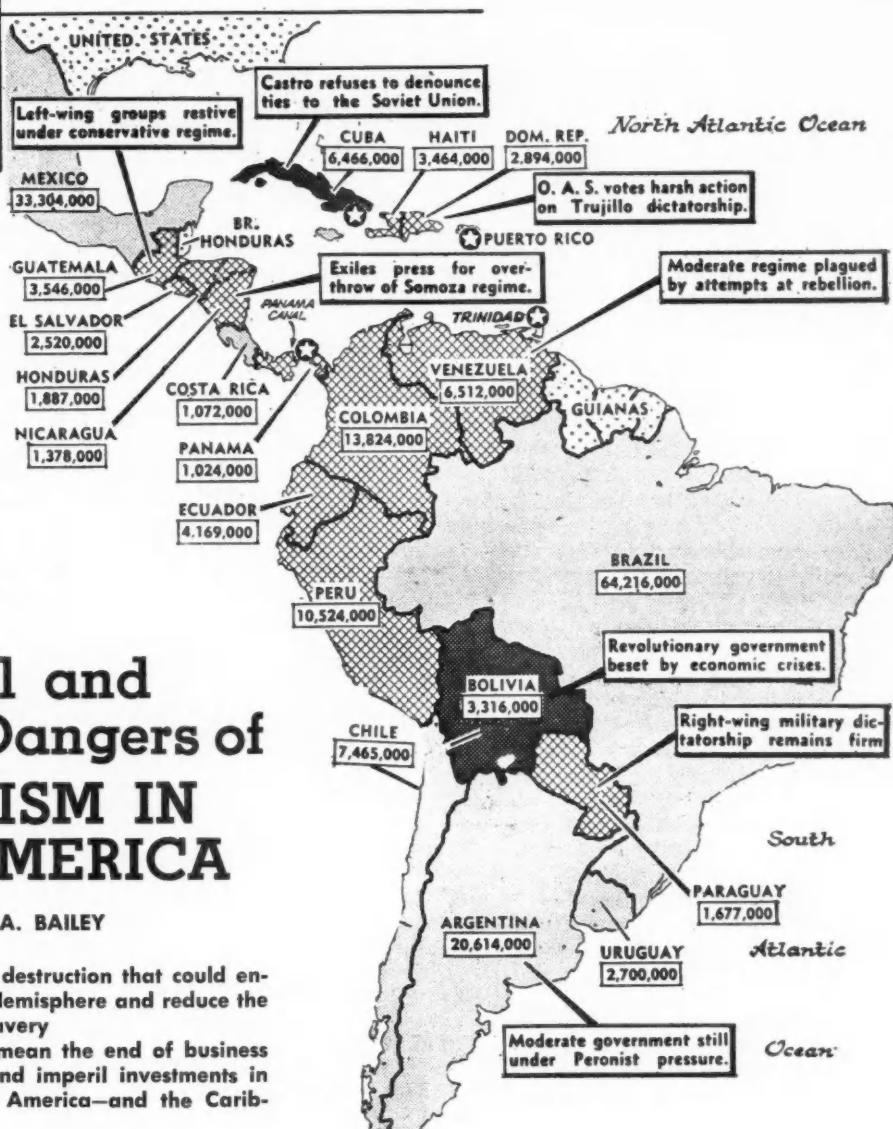
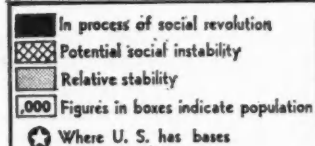
to date, will want (and get) a firm look-see at the mess.

Experts in the area list current defects in the program as (1) Excess costs stemming from bad planning and cash aspects, (2) "Gingerbread" design and resultant extravagances, (3) Loose administrative practices and irregularities, and (4) graft and profiteering in many areas. Byrd doubtless will try to get the program on a true "pay-as-we-ride" basis as well as provide stiffer penalties for those who do any grafting, right-of-way profiteering, etc.

Inland Waterways To Seek More Federal Funds. Operators of the waterways are even now beating the drums for a strong (and elaborate) shallowdraft waterways system, asserting that the government is pouring too much cash into highways and, at the same time, through the Interstate Commerce Commission's permitting the rail carriers to erode the waterways through selective rate cutting. It is all a part of the "mess" that arises when a multitude of Federal agencies do not operate as a co-ordinated whole, but as individual agencies—all jealous of their statutory prerogatives.

Eisenhower's Show Of Force in Caribbean Meets Universal Latin American Approval—Castro Excepted. Thus far, Nicaragua, Guatemala and Costa Rica are the only Latins to openly approve the President's ordering Naval units (including aircraft carriers) into Mr. Castro's self-appropriated sea, reliable Diplomatic sources in Washington quietly report the Central and South American republics are "relieved," and feel that the President did "just exactly right."

These same quarters, as well as sources within our own government, feel that the show of force will serve to put the brakes on Mr. Khrushchev's tactics of bluff, bluster and rocket-rattling. In any event, our forces are in the Caribbean to stay for whatever time it may be necessary to convince Mr. Castro (and Mr. K.) that we fear neither, and will brook no interference with the orderly processes of government in this hemisphere. Further, it is believed the move will cause an earlier internal overthrow of Castro than had been anticipated—perhaps as early as 90 days.



Special Feature

Political and Economic Dangers of CASTROISM IN LATIN AMERICA

By NORMAN A. BAILEY

- The unleashed forces of destruction that could engulf the entire Western Hemisphere and reduce the people to Communist slavery
- Where Castroism could mean the end of business under free enterprise—and imperil investments in South America—Central America—and the Caribbean

FIDEL CASTRO, Supreme Leader of the Cuban revolution, constitutes the greatest single threat to United States influence and prestige in Latin America since the Arbenz régime in Guatemala was overthrown (with the collusion of this government) in 1954. It is not the purpose of this story to discuss the reasons for his rise, or his turn towards Russia. Nor is it my intention to show how, in my opinion, the entire trend could have been deflected by the United States, had the government of our great but naive country pursued the proper policies towards Latin America in general and Cuba in particular. It is rather my intention to discuss the influence that Castroism exerts throughout the rest of Latin America, and what the United States can do to counteract the spread of this influence.

The fact that Janio Quadros, President-elect of Brazil, made a trip to Cuba during the campaign to see Premier Castro and borrow some of his popular

appeal, is often pointed to as an indication of the great influence that Fidel Castro and his revolution exert over the minds and imaginations of the Latin American people. Most observers, Brazilian and foreign agree, however, that his trip either had no influence at all on the electorate, or actually hurt Quadros' cause. In any case there is no doubt that since the election Quadros has shown his true conservative colors and his basic orientation towards private enterprise and close cooperation with the United States. In other words, campaign oratory and campaign gestures have no more significance in Brazil than in the United States, and probably less. It is also significant that after his return from Cuba, Sr. Quadros was very luke-warm in his praise of the Supreme Leader.

Effect of Castro's Tactics

The fact is that Castro's influence, at least until now, has not been very strong in Brazil or in the

southern tier of Spanish American states, comprising Uruguay, Argentina, Paraguay, Bolivia and Chile. This is not to say that there is no long-range danger even in these countries, but they are far enough away from the source of contamination so that the elements of the population most likely to be affected are largely ignorant of Fidel's achievements. If this were not enough, Castro himself loses no opportunity to castigate the leaders of Latin America as "lackeys" and "willing slaves" of the United States. Kubitschek of Brazil, Frondizi of Argentina, Alessandri of Chile and Lleras Camargo of Colombia are favorite targets for his abuse, and although the Latin Americans are not noted under normal circumstances for their unanimity in supporting their constitutional leaders, there is a point beyond which an attack on the President becomes an attack on the country itself.

Rivalries—Another limiting factor on the spread of Castro's influence is the jealousy and rivalry of older revolutionary parties, such as the Alianza Popular Revolucionaria Americana (APRA) in Peru, and Accion Democratica (AD) in Venezuela. APRA, which has pretensions to universality, has already expelled certain prominent members who have declared that the party should espouse direct action modelled on the Cuban revolution.

The patriarch of Latin American radicalism, Victor Manuel Haya de la Torre, leader of the APRA, has been strangely silent about Castro, and the actions of his party indicate his personal feelings. Accion Democratica has been having great trouble with its "Fidelista" left-wing elements, and President and party-leader Romulo Betancourt, once an avid Castro supporter himself, has had to exert all his influence to prevent a 26th of July-type uprising in Venezuela. Neither Betancourt nor Haya de la Torre is a communist, although Haya claims to be a Marxist, and they are concerned by Castro's increasing ties to the communist bloc.

There is an immediate danger of a Castro-type revolution in Venezuela, and Colombia and Peru have felt his influence strongly. There is also the rumor that Castro is making a deal with the deposed Argentina despot, Juan Domingo Peron to facilitate his return to power in that country. This report is unverifiable at this time, but such a liaison could be formidable in its impact on Latin America as a whole. It must not be forgotten that Peron, although an army officer and supported by the army (and the church throughout most of his career) based his power upon the laboring classes of Argentina. For that matter, Arbenz was also an army officer.

What of Castro's influence in his own backyard, the Caribbean? Is the danger to the influence of the United States any greater here? First, let it be said that Fidel Castro, according to all more or less unbiased reports, still commands the support of the overwhelming majority of the Cuban people. It is true that he has lost the middle class elements which supported him originally and provided him with inestimable aid in his climb to power, but he never rested his popularity on that class, not even at the beginning.

It is true that defections among the high officials

of his régime have been many, that his first Premier and his first President have both turned against him, but these defections have merely served to increase the influence of his brother Raul and Ché Guevara, President of the Bank of Cuba, two gentlemen who are almost certainly convinced, practicing communists of the international variety, something which Fidel may or may not be. The church has turned against Castro, and this may have some influence on certain elements of the populace.

However, despite these negative factors, Castro's prestige in Cuba is still very high, and by this time he has seen to it that there is no one left to criticize him openly. When this is said, however, and when a critical eye is cast about the rest of the Caribbean, the extent of his influence is surprisingly small in the areas surrounding the focal point of his revolution. We may first dispose of Puerto Rico and the British, Dutch and French colonies.

The Caribbean

The Puerto Ricans, by and large, are content to be what they are—an autonomous commonwealth, or "associated free state", as it is called in Spanish, under the suzerainty of the United States. They pay no taxes to the central government, nor do their goods pay any duties upon entry into this country. There is widespread recognition that were it not for these facts and free immigration into the United States, Puerto Rico would be plunged into the direst and most abject poverty. Although an independence party does exist, its influence is surprisingly weak, and efforts by the 26th of July movement to stir up disaffection have thus far been without appreciable effect.

To the emergent leaders of the British, Dutch and French West Indies, of all shades of color and opinion, Castro is a phenomenon as alien and incomprehensible as a Martian. Although saddled with many of the same problems as Cuba, and although indigenous messianic movements may in the future trouble these islands and territories, they are most unlikely to have been influenced to any great extent by the bearded Messiah of the Sierra Maestra.

Mexico many years ago passed through, stabilized and conservatized its own social revolution, and the last thing the present leaders of that nation want is further revolutionary ferment. Grandstand statements will continue to be made in favor of the Castro revolution, and Mexico, true to its radical traditions in international affairs, will continue to moderate actions the United States might like to take in the OAS and elsewhere against the Castro régime, but it is significant that within the last year or so the Mexican government has been cracking down particularly hard on communists and other leftists in the union movement, the universities and elsewhere.

Mexican stability and Mexican economic growth have made it the showplace of Latin America, and large amounts of foreign investment capital have been attracted to that country, capital which Mexico in no way wants to lose.

What of the independent Caribbean republics of Haiti and the Dominican Republic? Haiti is a negro republic and Castro is white. Despite his statements

on racial equality, undoubtedly sincerely meant, all of his principal aides are also white. Whereas chaotic revolutionary conditions will undoubtedly reoccur in Haiti many times in the next few years, the economic level of the country makes a genuine social revolution nearly impossible, as there is practically no concentrated wealth to distribute.

As **Bolivia**, still living under the United States dole, discovered, a social revolution has little chance of success if there is no fat in the economy to skim off. In any case Haiti is very strongly under the influence of the United States, and there are plans in advanced stages of development for the shifting of some U. S. military and naval bases to Haiti in the near future.

To the great surprise of many, if there were free elections in the Dominican Republic tomorrow, Generalissimo Trujillo would probably win hands down. This is for the simple reason that the Dominican peasant lives better today than he ever did in the years before the "Era of Trujillo". Should Trujillo's precipitate departure be forced by internal or external circumstance, however, it is quite possible that in the ensuing chaos a Castro-type or even Castro - sponsored government might emerge. It is unfortunate that the Latin American countries saw fit during the recent Meeting of Consultation of Ministers of Foreign Relations in San José to reject the suggestion of the United States that a committee of the OAS be formed to supervise free elections in the Dominican Republic should the government of Trujillo fall. The only favorable solution to the Dominican problem that this commentator sees is for the United States to convince Trujillo to step down voluntarily, leaving the country in the hands of moderate middle class and professional elements.

The Area of Latin America Most Vulnerable to the Spread of Castroism is Central America and Panama

Costa Rica, with a tradition of constitutionalism and a popular leader of its own in the person of José (Pepe) Figueres, is not likely to fall under the Castro spell, but the other tiny republics are not so lucky. These countries not only have social structures very similar to that of pre-Castro Cuba, but they are all particularly susceptible to U. S. influence, and have a ready-made, and it must be said, appropriate whipping-boy in the United Fruit Company, which until very recently could not bring itself to realize that the era of the robber barons had ended.

Guatemala and **El Salvador** are governed by conservative oligarchic cliques supported by corrupt and venal armies, whose sole functions are to make and unmake governments and attach themselves to as much of the national budget as possible. Guate-

mala also has the remembrance of a period, under Arévalo and Arbenz, when things were different, and more unpleasant memories of how the communists perverted the abortive Guatemalan revolution are fading.

Nicaragua has been governed since the 1930's by the Somoza dynasty, protégés of the U. S. Marine Corps and great and good friends of "democracy", "liberty", and so forth. There is some indication that the present incumbent would genuinely like to introduce greater democracy into his domains, and in any case, the Somoza dictatorship has never been as tyrannical as that of Trujillo in the Dominican Republic. Nevertheless Nicaragua represents a prime target for Castroism. Honduras, under its well-meaning and liberal President, Dr. Ramon Villeda Morales, is struggling to keep from collapsing into Castroism on the one hand or army rule on the other.

The most likely candidate in Latin America, however, for the spread of Castroism, is Panama. Recognizing this, the oligarchy saw to it during the last elections that no excuse, by overt fraud, was given to popular demagogues to stir up unrest. All three candidates were members of the oligarchy, but voting was apparently free and honest and the government candidate did not win. Desperate efforts are also made to keep the populace agitated about the Canal Zone and United States hegemony, so as to divert attention from internal problems. This approach may backfire, however, if anti-yankeeism comes to serve as a focal point for popular discontent.

In Sum

Castroism, in the short term, represents a threat to the stability of Panama, El Salvador, Guatemala, Venezuela, Hon-

duras, the Dominican Republic, Colombia and Peru, approximately in that order.

For any of these countries to come under Russian influence, as Cuba has, would be a tragedy. It would be a tragedy because sooner or later the United States would be forced to intervene militarily, if it could not achieve its aims in any other way, for it is strategically intolerable for the United States that there be any focus of communist influence in the Western Hemisphere. If this country continues to refuse to exert any positive leadership anywhere in the world, however, some or all of these countries could easily submit to Fidelista rebellions, and in the long term many of the other countries of Latin America would also be vulnerable. There is only one real answer to Castroism, and that is to reestablish a strong and attractive counterforce, to which the numerous anti-Castro liberal elements of Latin America can rally.

END

U.S. Private Investment in Latin America

(in millions of dollars)

NORTHERN LATIN AMERICA		
Costa Rica	60	na
Cuba	736	861
Dominican Republic	134	na
El Salvador	23	na
Guatemala	105	na
Haiti	14	na
Honduras	106	na
Mexico	607	781
Nicaragua	9	na
Panama	481	na
SOUTHERN LATIN AMERICA		
Argentina	447	517
Bolivia	na	na
Brazil	1115	1345
Chile	639	736
Colombia	274	289
Ecuador	20	na
Paraguay	na	na
Peru	305	429
Uruguay	74	na
Venezuela	1428	2863

(na)—Not available.



★ BANK STOCKS As Investments for 1961

By PAUL J. MAYNARD

- ▶ The pros and cons of credit and interest rates . . . what to expect in the year ahead
- ▶ How well have the banks done between 1959-1960—constructive factors and offsets—gains they have made compared to companies in other fields
- ▶ Factors of branch banking—the merger movement—increased dividends
- ▶ Special analyses of the individual banks—where stock dividends are being paid—companies in the best position

AS business has slackened this year, the monetary authorities have moved in the direction of easier credit and lower interest rates. This is orthodox money management policy. However, the reduction in the prime lending rate from 5% to 4½% in August of this year has been responsible for something of a bear market in bank stocks especially New York City bank equities. Now that the Democratic candidate, with a lower interest plank in his platform has been elected to office, the fears felt in some quarters about the future direction of interest rates, and bank earnings have tended to grow rather than to lessen. The burning question at present is: are these fears justified or have they been exaggerated? For reasons which will be outlined herein, it is concluded that the current position of bank stocks is strong and that they offer attractive investments which should do well under almost any conceivable set of conditions.

Modern money and credit management policies and techniques call for a tightening of bank credit during periods of high levels of business activity in order to minimize the possibility of excesses or booms which might lead to depressions later. Conversely, as business shows signs of slackening, as it has this year, the monetary authorities may be expected to take steps to ease credit and bring about lower interest rates.

Statistical Data on Leading Bank Stocks

	Total Deposits		Loans & Discounts		U. S. Gov't Securities		Per Share Book Value	Earnings Per Share* 12 mos. Ended 9/30/60	Indic. Current Div.	Recent Bid Price	Div. Yield †	
	9/30	12/31	9/30	12/31	9/30	12/31						
	1960	1959	1960	1959	1960	1959						
	(Millions)											
	9/30/60	9/30/60	1959									
Bank of America (San Fran.)	\$9,681	\$10,625	\$6,481	\$6,600	\$1,627	\$1,796	\$25.51	\$N.A.	\$3.37	\$2.00	46	4.3%
Bank of New York	459	555	265	295	98	93	208.28	23.21	20.59	12.00 ²	302	3.9
Bankers Trust, New York	2,807	2,703	1,646	1,580	487	439	35.95	3.99	3.40	1.72	46	3.7
Chase Manhattan, New York	7,349	7,526	3,952	4,226	1,517	1,052	50.62	5.50	4.91	2.40 ⁴	57	6.2
Chemical Bank N. Y. Trust Co.	3,574	3,711	2,172	2,222	448	456	48.29	4.78	4.60	2.60	55	4.5
Crocker-Anglo National Bank	1,621	1,657	965	972	383	397	24.05	2.20 ¹	2.49	1.40	36	3.8
First National Bank of Boston	1,543	1,607	984	961	280	331	51.93	4.69 ¹	5.83	3.20	69	4.6
First National City Bank, N.Y.	7,233 ³	7,235 ³	4,129 ³	4,420 ³	1,439 ³	1,108 ³	64.00	6.13	5.66	3.00 ⁴	74	6.0
First Penna. Banking & Trust	1,036	1,076	653	610	127	150	40.03	3.15 ¹	4.32	2.30 ⁵	50	4.6
Hanover Bank, New York	1,761	1,586	976	940	362	261	40.91	4.08	3.53	2.00 ⁶	48	4.1
Irving Trust, New York	1,700	1,674	957	935	295	337	27.94	3.45	2.95	1.60 ⁴	39	6.1
Manufacturers Trust, New York ..	3,055	3,046	1,421	1,515	634	596	47.87	5.14	4.69	2.40	56	4.2
Mellon National Pittsburgh	1,832	1,753	1,029	1,049	455	347	114.58	9.44	8.94	4.00 ⁴	136	4.9
Morgan Guaranty Trust, N. Y.	3,363	3,363	2,132	2,260	870	440	71.72	6.98	5.86	4.00	96	4.0
Philadelphia National	935	979	538	486	172	171	35.74	2.83 ¹	3.17	2.15	44	4.8
Security-First Nat'l. Los Angeles ..	3,158	3,216	1,621	1,553	996	1,024	38.73	4.50	3.99	1.60 ⁷	64	2.5
Wells Fargo Bank American Trust ..	2,315	2,302	1,349	1,290	563	584	40.92	4.49	4.12	1.60 ⁸	56	2.8

N.A.—Not available.

*—Net operating or indicated earnings.

†—Stock dividends of less than 5% have been added to cash dividends in computing yields.

1—9 months.

2—Includes \$2.00 extra.

3—Combined Bank & Trust Co.

4—Plus 2% stock.

5—Plus 5% stock.

6—Paid 12½% stock 2/29/60.

7—Plus 10% stock, payable 2/4/61.

8—Plus 10% stock payable 1/16/61.

With respect to bank earnings there are advantages and disadvantages on each side of the cycle. The principal advantage to banks under tight money conditions is that higher interest rates, reflecting increased loan demand, push net operating earnings up sharply. The offsetting disadvantages are that deposit growth is held to a minimum and bond prices go down, with the result that losses on security transactions predominate.

The chief advantage of the downtrend phase of the business cycle is that the volume of deposits and earnings assets tends to increase. Also, bond prices tend to rise so that in their phase of the cycle bond profits tend to exceed losses. These advantages may offset, in some measure at least, the unfavorable impact of lower interest rates on net operating earnings.

It should be noted that under today's economic and business conditions, lower interest rates are generally a phenomenon of depressed business while higher interest rates tend to be a product of more active business levels. Thus, unless the present mild recession is to deepen into a major business set-back, interest rates should hold around present levels. If the rate of business activity increases, as also predicted by the new administration, it is difficult to see how interest rates can fail to show a rising tendency as the demand for credit increases.

How Well Have The Banks Done?

To come down to particulars, the 15% gain in net operating earnings which New York City banks are achieving this year is one of the best for any group of companies. In spite of this excellent performance, which follows a similar 15% gain in net operating earnings recorded in 1959, the stocks of New York City banks are currently selling about 15% below their 1960 highs and on a historically low price-earnings ratio of about 12.5 times.

The principal reason for the disappointing market performance of this group appears to be the downward shift in the trend of interest rates which has come about as a result of the change in the Federal Reserve's policy from tightness to ease. Other things remaining equal, lower interest rates might be expected to lead to a decline in bank earnings. However, as previously indicated, the effects of present day money-management policies are that in a period of credit ease such as the present, the volume of bank earning assets tends to rise sharply. This increase in the amount of earning assets helps offset the effects of lower interest rates.

For example, despite a decline in the prime rate by a full percentage point from 4½% to 3½% between August, 1957 and the end of June, 1958, the earning assets of the major New York City banks increased \$3.3 billion, from \$23.8 billion to \$27.1 billion and net operating earnings of these banks increased. Likewise this year from March 31 to September 30 the volume of earning assets of major New York City banks has risen from \$24.5 billion to \$26.6 billion and is still rising.

The recent action of the Federal Reserve authorities in reducing reserve requirements of the central reserve city banks from 17½% to 16½% effective December 1, 1960 will add substantially to the earning assets of the New York and Chicago banks.

This step equalizes, for the first time in many years, the reserve requirements of the central reserve city and the reserve city banks. Since 1951, when the central reserve city banks were required to keep a 24% reserve against demand deposits while reserve city banks were required to hold 20%, reserve requirements have been reduced on several occasions. *The over-all effect of these reductions has been reflected in the case of the major New York City banks, in a 23% increase in their earning assets from \$21.5 billion at the end of 1951 to \$26.6 billion*

at September 30, 1960. It is expected, with the further reduction in requirements effective December 1, that total earning assets of the major New York City banks will exceed \$27 billion by the end of 1960.

The Offsets

Although the increase in earning assets may not prove sufficient to offset completely the adverse effect on bank earnings of lower interest rates, the larger volume of earning assets should enable major New York City banks to hold their earnings next year close to the present level. *If the present business slowdown should degenerate into a full recession, with a further reduction in the prime rate, bank earnings might well give ground.*

However, if business conditions start to improve next year, it is reasonable to believe that such improvement would be accompanied by a rising level of demand for bank credit. Under such conditions, interest rates would firm. Higher interest rates on the expanded volume of earning assets would make possible a new upturn in net operating earnings of the banks.

While the banks have benefitted from the rising trend of interest rates over the past decade, they have also been handicapped by the limitations which orthodox monetary control policies have placed on the expansion of their deposits and earning assets. They have also had to pay higher interest on savings accounts and have recorded losses on security transactions in a majority of recent years. Thus, as far as the effect on bank earnings are concerned, credit restraint has not been a completely unmixed blessing.

Whether the prospects are for recession or recovery in the next year, the banks may be expected to give a good account of themselves. Under conditions of recession, with their strong defensive characteristics, they should be able to maintain earnings and dividends better than many industrial companies. If business recovers rapidly, the rising demand for credit should provide the basis for higher bank earnings.

Construction Factors

Branch Banking—In addition to their versatility in meeting wide variations in business and general economic conditions, banks in many areas have several important factors operating favorably for them at present. These include increased latitude to branch out of urban into suburban areas and to form bank holding companies. They also include wider public acceptance of banking services and increasing opportunities for economies in bank operations through utilization of electronic check-handling and data processing equipment.

Mergers—The enactment of the Omnibus Banking Bill in New York this year has resulted in considerable activity on the part of the urban and suburban bank's especially in the New York City area. Several of the New York City banks have opened or been given permission to open branches in Nassau and Westchester Counties. Bankers Trust Company has asked for permission to form a bank holding company with County Trust Company of Westchester County. And one suburban bank, Meadow Brook

National Bank of Nassau County, has acquired branches in New York City by merging with a New York City bank. This is akin to the "man bites dog story."

Assuming that litigation problems are solved and regulatory approvals are obtained, it is expected that the next year or two will bring substantially increased merger and acquisition activity as between urban and suburban banks, especially in the New York area. This should be beneficial in that it makes for greater growth possibilities for the city banks and for more efficient use of executive and operating personnel.

Cost Savings—With respect to utilization of labor saving and time saving electronic check processing and data processing equipment the banks have already started to benefit. However, substantial further gains lie ahead as broader use of standardized magnetic ink characters on checks is developed. The extent to which the New York City banks have benefitted from increased efficiency over recent years is shown in the fact that salaries and employee benefits of these banks currently average less than 28% of operating income, down from 31.8% in 1955. In the case of the banks, whose employees are non-unionized, the resistance to the use of more efficient labor-saving equipment is at a minimum.

Where Dividends Have Been Increased

In the recent years of rapidly rising bank earnings, dividends paid by the banks also have been increasing. However, dividends have not risen as rapidly as earnings, so the percentage of dividends to earnings has tended to decline. The pay-out rate now averages under 50% for the New York City banks and even lower for banks in other parts of the country. Thus, there is now relatively more room for dividend increases by the banks than there has been for many years. This has made possible the current wave of dividend increases being made by banks in all parts of the country. Among those banks which have declared increased dividends within recent months have been: First National Bank of Chicago (25% stock dividend), Bank of America (higher cash rate), Security First National Bank of Los Angeles (10% stock), Crocker-Anglo National Bank (higher cash rate) and Wells Fargo-American Trust Company (10% in stock). In the field of bank holding companies, both First Wisconsin Bankshares Corporation and First Bank Stock Corporation have raised their cash dividend rates recently. First National City Bank of New York has renewed its 2% stock dividend payment while maintaining the regular \$3 cash dividend rate. Other New York City banks are expected to be as generous or more so with their year-end dividend declarations than they were in 1959.

The Merger Movement

While the merger movement among New York City banks appears to be quiescent at the moment, it is continuing to be strong in banks throughout the country. For example, the most recent proposed merger between Girard Corn Exchange Bank and Philadelphia National Bank will create the largest bank in Philadelphia. Incidentally year-end dividend increases by both banks (Please turn to page 309)



A Realistic Reappraisal of . . .

THE VARIOUS FACETS of the CONSTRUCTION INDUSTRY

— LOOKING TO 1961

By FREDERICK B. LYONS

- ▶ Can decline in housing be offset by industrial building and "good old-fashioned" public works program?
- ▶ Effect of the adverse aspects of the "Cannellton" decision on the cement industry
- ▶ Effect of lag on gypsum and other housing components — where handicaps exist
- ▶ Reappraisal of the individual companies and profit outlook

MANY a shrewd investor who lost an election bet is undoubtedly considering if he can now recoup by buying building stock shares. The logic behind this plan of attack would be as follows: Both by specific campaign promises and by his personal philosophy, President-elect Kennedy may be responsible for policies leading to more dollars in the hands of the construction industry. For instance, Senator Kennedy has indicated his unhappiness with the pace of school building, and the record appears to bear out his contention that pressing need exists for additional classroom space currently.

Mr. Kennedy is also against high interest rates since he feels that they retard the growth of the economy. If interest rates should be lowered by artificial means the building industry would almost certainly benefit. The only query at this time is: how great would the stimulation be?

Finally, the President-elect is worried about the dragging state of the economy, and is particularly bothered by pockets of unemployment. What better answer, from the Democratic point of view, than a good old fashioned public works program? If such a policy be adopted in an attempt to put men back to work, the results will probably be the same as in the past. By the time the heaviest impact of the program is being felt, the economy will probably be in a vigorous upswing.

Position of Leading Building Stocks

	Net Sales		1st 9 Months Net Profit Margin		Net Per Share		Full Year Earned Per Share		Cash Earn.	Indic. 1960 Div. Per Share *	Price Range 1959-60	Recent Div. Price Yield %
	1959	1960	1959	1960	1959	1960	1958	1959	Per Share 1959			
	(Millions)		%	%								
Alpha Portland Cement	\$31.0	\$28.6	18.1%	15.4%	\$3.18	\$2.52	\$2.79	\$3.96	\$5.85	\$1.50 ²	39½- 22½	25 6.0%
American Marietta Co.	234.9	268.0	7.3	6.7	1.46	1.32	1.62	2.03	2.47	1.00	46½- 28½	31 3.2
American Standard **	384.2	362.6	3.7	2.5	1.21	.78	1.25	1.80	3.13	.80	18½- 11½	12 6.6
Armstrong Cork	210.2	220.7	7.2	5.9	2.94	2.51	2.59	3.68	5.96	1.70	49½- 35½	45 3.7
Bestwall Gypsum Co.	30.9	30.3	12.2	8.0	1.88	1.18	2.23	2.40	3.06	.3	50 - 31½	40 —
Carey (Philip) Mfg. Co.	55.8	52.0	5.1	3.8	2.81	1.97	1.99	3.26	5.79	1.60 ²	43½- 23	25 6.4
Carrier Corp.	195.7 ¹	192.0 ¹	3.0	1.5	2.60 ¹	1.18 ¹	3.27	3.62	7.32	1.60	48½- 27½	30 5.3
Celotex	55.2 ¹	49.3 ¹	5.2	1.1	2.63 ¹	.91 ¹	2.79	3.77	6.78	1.00	44½- 20½	22 4.5
Certain-Ted Products	77.2	71.1	3.5	2.4	1.38	.93	.96	1.69	2.41	.70	16½- 11	12 5.8
Congoleum-Nairn	37.4	32.4	1.4	d2.1	.44	d.56	d2.88	.45	1.64	—	14½- 7½	9 —
Crane Co.	238.4	213.6	1.8	1.6	2.64	2.13	2.12	4.03	8.50	2.00	72 - 35½	45 4.4
Flintkote	192.5	192.2	6.9	5.6	2.02	1.59	2.22	2.61	4.41	1.80	44½- 25½	26 6.9
General Portland Cement	51.3	45.5	18.1	17.5	1.76	1.50	2.13	2.27	3.29	1.50	43½- 32	36 4.1
Glidden Co.	195.7 ⁴	197.4 ⁴	3.9	3.3	3.31 ⁴	2.90 ⁴	2.64	3.31	6.16	2.00	50½- 34½	36 5.5
Holland Furnace	23.8	22.4	3.1	.3	1.06	.11	1.13	1.12	1.84	.60	15½- 9½	9½ 6.3

*—Estimate of indicated dividend rate.

**—Amer. Radiator & Stand. San. Co.

d—Deficit.

¹—9 months ended July 31.

²—Plus stock.

³—3% in stock.

⁴—Year ending August 31.

Alpha Portland Cement: Near-term outlook clouded by adverse tax settlement. Pickup in demand for cement will probably be gradual. Dividend reduced recently. However, well-situated plants are long term plus factors. **B4**

American-Marietta: Half of this well-diversified company's sales go to the construction industry. Outlook for early 1961 suggests a period of digestion. Good long-term growth trend. Dividend well secured. **B2**

American-Standard: Reflecting close identification with residential building, 1960 earnings will be lower than last year. Near-term improvement may not be of significant proportions. **B4**

Armstrong Cork: A well balanced company serving both the new construction and modernization markets. Enjoing reasonably good year in 1960. Dividend well protected. **B2**

Bestwall Gypsum: Immediate outlook for the company is obscured by new plant startup expenses. However, long-term earnings potential is being enlarged. Cash dividends not in immediate prospect, but stock payments should continue. **B4**

Carey (Philip): Price Competition in many of the company's product lines is intense at the moment. A firmer price structure probably awaits revival in residential building activity. Dividends reasonably secure. **B4**

Carrier: Strikes have reduced earnings. The long-term outlook is enhanced by the company's strong position in both heating and cooling fields. **B4**

Celotex: A combination of lower residential building and heavy start-up

expense have sharply slashed earnings for 1960. Dividends,, pared from \$0.50 quarterly to \$0.25, should hold at the reduced rate. **C4**

Certain-Ted Products: Number two in the highly competitive asphalt field. Company plans expansions into areas of greater long-term promise. Meanwhile profits picture is uncertain. **C4**

Congoleum-Nairn: A basic shift in demand away from the company's main products has placed it in a good competitive position. A loss appears probable for 1960. Long-term outlook obscure. **D4**

Crane: New management has instituted striking changes in this old-line valve manufacturer. These moves could ultimately pay off in larger earning power. Dividend likely to continue at \$0.50 quarterly. **B4**

Flintkote: This diversified manufacturer of building materials has felt the pinch of lower earnings and heavy cash needs. Stock dividend has recently replaced quarterly cash payment of \$0.45. Long-term prospects depend on solution of immediate problems. **B4**

General Portland Cement: Low-cost producer of cement, with plants located in fast-growing areas of the U.S. Adequate reserves to pay back tax bill. Good long-term outlook. **B4**

Glidden: Management has been seeking to weed out slower growing segments of business. Emphasis being placed on expansion of paint outlets and enlargement of chemical capacity. **B2**

Holland Furnace: Static revenue trend has characterized operations for a number of years, with erosion of former earning power. Long-term prospects clouded. Dividends may hold at \$0.15 quarterly. **D4**

RATINGS: A—Best grade.
B—Good grade.

C—Speculative.
D—Unattractive.

1—Improved earnings trend.
2—Sustained earnings trend.

3—Earnings up from the lows.
4—Lower earnings trend.

Active Public Works, Highway Construction Expected

Senator Kennedy aside, the construction industry has a cloudy-to-favorable outlook for 1961, which is much more than can be said for most segments of the economy at this juncture. According to F. W. Dodge, construction contracts awarded in the coming year will rise about 1% from the 1960 rate. Incidentally, the current year will mark the first time in the postwar period that these contracts have failed to score a year-to-year gain, which really points up how healthy the construction industry has been in recent years. The Dodge people are assuming a mild dip in economic activity in 1961 but look for gains in public works, utility construction and home building awards to offset declines in factories and commercial buildings.

More specifically, heavy engineering construction, particularly the highway building segment, is expected to carry the ball in 1961. Those who have not

followed the highway program closely may not appreciate its importance nor understand why it has taken so long to gather momentum. The fact of the matter is that as complex a program as this one must be carefully planned; acquisition of right-of-way by itself is a time-consuming process. But now the cement-pouring stage is here and progress should be at a better pace, assuming no financing difficulties spring up again. Completion date should be on or about 1972 and the total cost will probably exceed considerably the \$40 billion which is now being budgeted.

Residential Building Will Lag

In the important residential building area, however, the Dodge economists are less optimistic, seeing little more than a very nominal rise from \$15.2 billion in 1960 to \$15.3 billion next year. The Commerce Dept. supports this gloomy appraisal, foreseeing housing starts of about 1,300,000 (new basis)

Position of Leading Building Stocks—(Continued)

	Net Sales		1st 9 Months Net Profit Margin		Net Per Share		Full Year Earned Per Share		Cash Per Share 1959	Indic. 1960 Div. Per Share *	Price Range 1959-60	Recent Div. Price Yield %
	1959	1960	1959	1960	1959	1960	1958	1959				
	(Millions)		%	%								
Johns-Manville	\$278.2	\$274.0	8.3%	7.7%	\$2.81	\$2.49	\$2.82	\$3.73	\$5.71	\$2.00	62½- 44½	53 3.7%
Lehigh Portland Cement	76.9	72.7	12.2	10.5	2.24	1.82	2.11	2.88	5.00	1.20	37½- 25½	27 4.4
Lane Star Cement	81.4	75.4	16.4	13.6	1.72	1.32	2.09	2.20	3.26	1.30	37½- 20	20 6.5
Marquette Cement	44.1	42.2	18.2	17.7	3.02	2.81	3.26	3.55	5.00	1.80	59½- 40½	47 3.7
Masonite	71.8 ¹	68.7 ¹	7.7	6.4	3.59 ¹	2.76 ¹	2.93	3.59	5.69	1.20 ⁵	46½- 26½	29 4.1
National Gypsum	173.5	174.4	11.5	10.6	3.69	2.98	3.57	4.66	6.93	2.00 ⁵	71 - 49½	54 3.7
Otis Elevator	N.A.	N.A.	N.A.	N.A.	1.90	1.92	2.10	2.91	3.09	1.50	58½- 30½	55 2.7
Penn-Dixie Cement	40.4	37.4	18.9	16.1	2.74	2.17	3.07	3.42	4.45	1.60	39½- 24	26 6.1
Pittsburgh Plate Glass	446.2	482.2	7.9	7.9	3.44	3.77	3.24	4.36	7.71	2.20 ⁵	91½- 55½	65 3.3
Pratt & Lambert	10.2 ⁴	10.1 ⁴	5.5	5.4	2.79 ⁴	2.72 ⁴	4.34	5.49	6.51	3.25	83 - 59½	62 5.2
Ruberoid	97.9	93.0	4.9	3.8	2.55	1.90	2.56	3.48	5.14	2.00	47½- 31½	36 5.5
Sherwin-Williams Co.	275.3 ¹	282.1	6.3	5.6	6.62 ¹	6.04 ¹	5.74	6.62	8.17	3.00	125 - 90	117 2.5
Trane	62.0	75.4	5.4	5.9	1.58	2.11	2.82	2.36	3.75	.90	75 - 53½	68 1.3
U. S. Gypsum Co.	232.2	209.0	15.5	14.0	4.46	3.60	5.05	5.70	6.80	3.00	120 - 85½	102 2.9
U. S. Plywood	72.1 ³	66.1 ³	5.5	3.2	1.60 ³	.83 ³	5.36 ²	5.10 ²	8.29	2.00	58½- 39½	46 4.3
Yale & Towne	102.6	113.5	3.1	3.5	1.43	1.79	1.62	2.26	3.49	1.50	39½- 26½	27 5.5

N.A.—Not available.

*—Estimate of indicated dividend rate.

1—Year ended August 31.

2—Years ended April 30, 1959 & 1960.

3—Quarter ended July 31.

4—6 months ended June 30.

5—Plus stock.

Johns-Manville: The company has dominant position in asbestos, but is also strong in other lines of building materials and industrial products. Long-term prospects favorable. Dividends well secured. **A2**

Lehigh Portland Cement: Company may be short of cash if it elects to pay back tax bill. Long-term outlook bolstered by 14 well-dispersed plants. **B4**

Lane Star Cement: One of strongest cement companies, with well-located and low-cost plants. Long-term growth prospects are good, but the short-term outlook is somewhat clouded by back taxes and lower depletion allowance. **A4**

Marquette Cement: Well protected from the possible danger of imported cement and boasting adequate reserves to pay back taxes, company is in favorable position. **B2**

Masonite: The largest producer of hardwood in the U.S., this company has a good natural resources position. Final 1960 profits declined, but \$0.30 quarterly dividend rate appears firm. **B4**

National Gypsum: Number two in the gypsum picture, this company has broadened its building materials line considerably. Long-term prospects favorably defined. **B4**

Otis Elevator: Strong growth trend which should continue, despite loss of Brunswick pinsetter business. Foreign business important and increasing. **A2**

Penn-Dixie Cement: Number eight in the cement industry, this company is well-situated to pay the bill for prior years taxes. **4**

RATINGS: A—Best grade.
B—Good grade.

C—Speculative.
D—Unattractive.

1—Improved earnings trend.
2—Sustained earnings trend.

3—Earnings up from the lows.
4—Lower earnings trend.

Pittsburgh Plate Glass: In addition to its line of glass and paints, this company is important in chemicals. Long-term prospects favorable, even if there is a further loss of automobile glass business. **A1**

Pratt & Lambert: This moderate sized paint maker sells to the industrial market. Earnings have been stable in recent years. Dividend appears well secured. **B2**

Ruberoid: Operations are influenced by level of housing starts, but maintenance market is also a significant part of total business. Company is acquisition-minded. **B4**

Sherwin-Williams: Serving the retail market through its own line of outlets, this company is in a strong trade position. Good long-term prospects. Dividend increases in recent years. **A1**

Trane: Important in the air-conditioning field, with excellent record in postwar years. Favorable outlook. **B1**

U.S. Gypsum: The leader in its field, this company is a low-cost producer. Finances and trade position are strong. Prospects favor continued growth over the long pull. **A4**

U.S. Plywood: With housing starts at disappointing levels, immediate earning trend is unfavorable. However, finances are strong and \$0.50 quarterly dividend rate should hold. **B4**

Yale & Towne: An important producer of fork-lift trucks, this company is best known for its Yale locks. Longer-term growth prospects are considered favorable. **B2**

in 1961, or 4% above the 1,250,000 units expected for 1960. As some idea of how disappointing the outlook for 1961 really is, it is only necessary to realize that starts in the current year will be almost 20% below those of the year before!

The fact that both of these capable forecasters expect only modest improvement in the housing picture, despite the expected greater availability of mortgage credit in 1961, is quite disturbing. Until now, when the authorities decided to spur a stumbling economy, one of the best weapons in the kit was to loosen the strings on housing through one device or another. If the desired effect cannot be produced, however, when one of the most potent available "stimulators"—i.e., easy money—is released, the nation's ability to shrug off economic setbacks quickly will be placed in some doubt.

Looking for an explanation as to why the housing picture is not right, the obvious fact which flies to the surface is that the deferred demand of World

War II has been largely satisfied. Over 16 million units of new houses and apartments are estimated to have been constructed since the end of the war. "Doubling," which involves living with one's in-laws or some other multi-family arrangement, is no longer as prevalent today as a few years ago. Perhaps even more revealing is the rising rate of vacancies in dwelling units offered for rent. At the end of the third quarter of 1960, the vacancy rate stood at a record 7.6% of the total units available. While this yardstick is not a direct measure of the demand for new homes, it is a good sign that the seller's market is over, at least for the time being.

Rising Family Formations Presage New Boom in Mid-60's

By no means is the longer-term picture for housing one of gloom, however. A hard core of annual demand arising from demolition, abandonment, fire, storm and flood may always be counted upon. Moreover, the annual rate of household formations is

rising, as one might expect. From an average of 850,000 in the 1951-55 period, formations rose to around 900,000 in 1956-59 and will continue to climb throughout the sixties. Some economists believe that so-called "normal" demand for housing will soon hit 1.3 million units annually, or about the level seen for 1961.

Marriages are expected to begin accelerating again in 1961 or the following year. Since the initial move of the newlyweds is often into an apartment, this would suggest that an actual housing boom will not begin to gather steam until about the mid-1960's.

Healthy Growth for Modernization-Repairs

The figures on construction outlays do not include money spent on maintenance, modernization and repair. This segment comprises an important, growing market for products of building materials companies. Even more significant, perhaps, is the fact that it is a stable market. This end of the building materials business is also an obvious way to play the trend toward "do-it-yourself." Considering the strong movement toward non-professional repairs, many observers expect that this end of the building line will show better-than-average growth in the years ahead.

Profits Outlook Murky

Taking all factors together, analysts believe that the building industry in the broad sense will be favored by slightly higher volume in early 1961. But volume, by itself, is not necessarily the prelude to larger profits, as the building trade and allied lines have learned to their dismay. Placed in proper perspective, the construction outlook for early next year does not justify the hope that the conditions of unhealthy competition—excess competition—are likely to be corrected by this modest increment in volume expected. The problem, which is hardly new, finds too many small or relatively small firms vying for the business. Under such conditions price cutting is likely to become rampant and profit margins may shrink and in some cases vanish.

Price increases can only be made on a selective basis and may then have to be rescinded in short order. When these factors are recognized in evaluating the prospects for the coming months, it is difficult to see how the building industry as a whole can report larger earnings in the forepart of 1961.

Cement Industry Hit by Adverse Court Decision

The cement companies are still reeling under the adverse impact of the "Cannelton" decision, a court test which stemmed from a depletion squabble with the U.S. Treasury. Recapture of sizeable back taxes by the government dating from 1956 in some cases, is now indicated. The companies have the right to elect to file revised returns, taking depletion for those prior years on a "kiln feed" basis, which will become the normal method effective January 1, 1961. If the cement companies do not so elect, the Treasury reserves the right to claim lower depletion under the "Cannelton" decision, and while the basis is not fully spelled out, it infers a "quarry floor" base. The net result will be higher taxes, not all of which can be covered by cash in the till.

Aside from this tax tangle, which could pare funds for expansion and possibly inhibit dividends, the cement companies enter the new year under reasonably favorable operating conditions. The price struc-

ture is fairly firm away from the seacoast; in fact, some increases have even been announced in the Midwest. While the demand for cement is likely to be seasonably slow in the early months of 1961, larger requirements on the part of the highway program should begin to be felt later on. But certainly 1961 will not be a spectacular year for the cement business, unless an unusually pronounced gain in construction activity develops later in the year.

Gypsum Industry Getting Crowded

The gypsum industry is beginning to get a bit crowded, undoubtedly reflecting the attraction of the relatively wide profit margins prevailing in this end of the building line. In addition to new competition from producers of the natural product, the Big Three of the industry, U.S. Gypsum, National Gypsum and Bestwall, are now faced with a synthetic entry sponsored by Allied Chemical.

To compound the problem and obscure the longer-term earnings outlook for this segment of the building trade further, considerable expansion is also taking place by the established producers.

Bestwall, for example, is just starting up a plant in Georgia and will soon begin building in Delaware, Louisiana and Kansas. When all of the bricks are in place, Bestwall's capacity will be nearly double current levels. While there is good growth ahead for gypsum board, some doubt that demand will grow fast enough to avoid a weak price structure for the product line cannot be avoided. Based on the modest rise predicted for homebuilding, the gypsum producers may nevertheless realize somewhat better results in 1961.

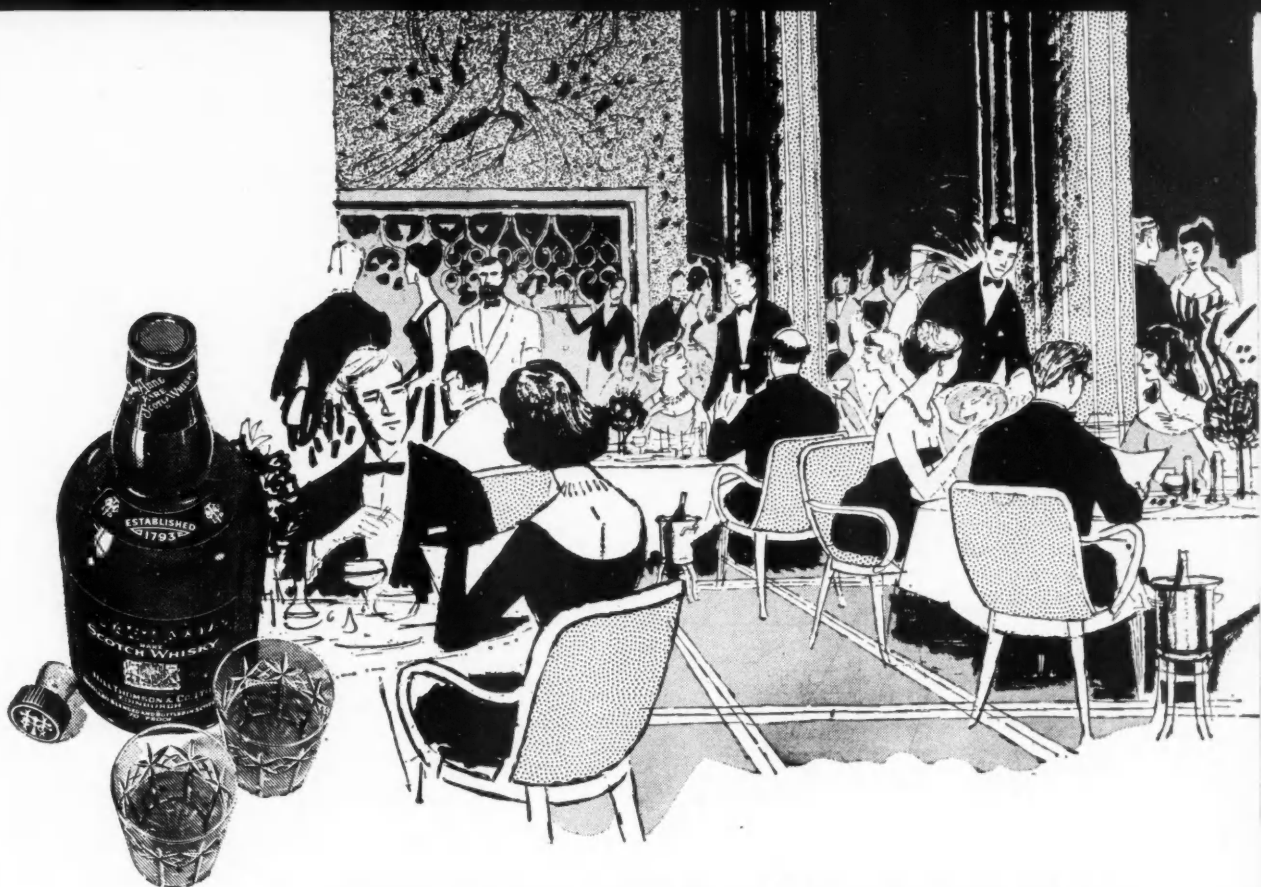
Other Housing Components Handicapped

Lumber and plywood have already been in slow demand in 1960, paralleling the slump in housing starts. The nearby picture is not particularly bright and the industry has adjusted operations accordingly. As might be expected, the price picture is not satisfactory and little chance exists of a substantial stiffening until a marked improvement occurs in residential building. The slowdown in the homebuilding market is also taking its toll of the plumbing industry, where fixtures are being subjected to heavy discounting. Air conditioning not only has to contend with a poor housing outlook for 1961, but has an exceptionally large inventory of 1960 room models left on the shelf. On the other hand, industrial air conditioning may not fare too badly, reflecting a virtually untapped market in many cases.

Group Lacks Appeal

In the light of all the factors underlying the profits picture for next year, it is difficult to generate much enthusiasm for building shares as a whole. This is not to imply that the group does not have a future—the long-range outlook is favorable—but investors looking for a category of stocks which may be in the van of any market advance in 1961 are probably well advised to search elsewhere. But, as the common aphorism, that this is a market of stocks, suggests, certain individual selections for one reason or another do appear to represent good value. Brief comments on these issues follow.

American-Marietta has been described by some observers as a homoge- (Please turn to page 316)



TAXES AND MOONSHINE AFFECT LIQUOR PROFITS

— And stimulate industrial diversification

By RAYMOND E. CHRISTOPHER

— Companies showing most progress — those lagging

THE United States produces about two-thirds of the world's whiskey and consumes about four-fifths. The "big four," Distillers Corporation-Seagrams, National Distillers & Chemical, Schenley Industries and Hiram Walker-Gooderham & Worts, dominate the field, accounting for about 80% of the total supply of distilled spirits, while another half dozen distillers furnish most of the remainder. One would expect the combination of a large market with a limited number of suppliers to result in comfortable profit margins and a steady growth in earnings as sales expanded in line with the growth of the nation. And particularly so when personal income is rising and leisure time increasing. For a number of reasons this has by no means been the case. While most distillers have shown improvement in recent years, few have been able to equal their earnings performance of the early postwar years.

Taxes and Moonshine

The distilling industry has the unwelcome distinc-

tion of being the most heavily taxed American business. The nearly \$2.3 billion in excise and import taxes paid last year represented a source of revenue second only to corporate and personal income taxes in importance to the Federal Government. The \$10.50 per proof gallon federal excise tax combined with an average state tax of \$1.77 represents more than half the retail price of distilled spirits. This onerous levy acts as a serious deterrent to increased consumption and, in fact, last year's apparent consumption of 225 million gallons was still below the record 231 million gallons reached in 1946.

Unfortunately for the distillers the Federal Treasury is not the only beneficiary of the industry's top heavy tax payments. The unduly high price of legal liquor provides a sheltered market for the bootlegger who, since he neither pays taxes nor bears the expense of aging his product, is able to undersell tax-paid beverages by a considerable margin. Moonshiners, the subject of innumerable jokes, are no laughing matter to the legal distillers. Industry

Statistical Data on Leading Distillers

	Full Years				1959 Cash Earnings Per Share	1st 9 Months		Indic. 1960 Div. Per Share *	Price Range 1959-60	Recent Price	Div. Yield
	Net Sales 1958	Net Sales 1959	Net Per Share 1958	Net Per Share 1959		Net Earnings Per Share 1959	Net Earnings Per Share 1960				
	(Millions)										
American Distilling	\$81.1 ¹	\$89.7 ¹	\$1.73 ¹	\$2.06 ¹	\$2.34	\$1.51	\$1.85	\$1.00	29½-17½	26	3.9%
Brown-Forman Distillers	92.4 ²	101.7 ²	.96 ²	1.18 ²	1.57	.64 ⁹	.65 ⁹	.40 ⁵	18 -12 ⁸	13 ⁸	3.0
Distillers Corp. - Seagrams	731.3 ³	768.2 ³	3.11 ³	3.25 ³	3.47	3.11 ³	3.25 ³	1.70	36¼-28¾	32	5.3
National Distillers & Chem.	524.3	575.5	1.76	2.23	3.71	1.63	1.49	1.20	35½-24¾	26	4.6
Publicker Industries	132.6	118.3	.460	.461	.26	.50	.21	6	15 - 7¼	9	—
Schenley Industries	497.5	460.0	2.95	3.07	3.47	3.07 ⁴	1.30 ⁴	1.00 ⁷	45½-19¾	22	4.5
Walker (H.) - G. & W.	384.0	412.1	2.54	2.76	3.12	2.76 ⁴	2.91 ⁴	1.75	41½-33¾	39	4.4

*—Estimated of indicated dividend rate.

d—Deficit.

1—Years ended Sept. 30.

2—Years ended April 30, 1959 & 1960.

3—Years ended July 31, 1959 & 1960.

4—Year ended August 31.

5—Plus stock.

6—Paid 5% in stock.

7—Plus 16/100 of new Preferred "A" stock.

8—Class "A" stock.

9—Six months ending Oct. 31.

Individual Company Ratings

	Rating		Rating
American Distilling	B1	Publicker Inds.	C3
Brown-Forman	C2	Schenley Inds.	C4
Distillers Corp-Seagrams	B2	Walker (H.) G. & W.	B2
National Distillers	B2		

RATINGS: A—Best grade.

B—Good grade.

C—Speculative.

D—Unattractive.

1—Improved earnings trend.

2—Sustained earnings trend.

3—Earnings up from the lows.

4—Lower earnings trend.

sources estimate that bootleg output amounts to close to 60 million gallons, equal to over 25% of total legal sales. If the industry could capture any sizable portion of this volume its future prospects would be enhanced considerably. During the past year or so federal enforcement efforts have been stepped up, but only limited prospects of eliminating this problem can be hoped for while excise taxes remain at the present high rate.

Diversification

An outstanding feature of the postwar business scene has been the concerted effort on the part of many companies to lessen their dependence on any single product by expanding into related and often unrelated fields. With seemingly good reason the distillers joined this movement. Manufacturing a product the use of which could not, at best, be expected to grow much faster than the population, diversification appeared a logical step. To date, results have been mixed.

Hiram Walker and American Distilling, which have not diversified, were able to post earnings gains about as good or better than the industry as a whole during the past five or six years.

National Distillers and Chemical has made the greatest progress in reducing dependence on beverages, with close to 40% of current earnings now obtained from other activities. As most of National's capital budget is allocated to chemical operations, this division should in a few years exceed the liquor division in size.

Distillers Corporation-Seagrams, Ltd. entered the oil and gas exploration and production field in 1953, but results thus far have contributed little to earnings.

Schenley Industries recently sold its ethical pharmaceutical division to Rexall. The company continues to manufacture some proprietary items, and operates a cooperage business in addition to pro-

ducing livestock feeds. More details on diversification will be found in the individual company comments.

Shifts in Consumer Preference

Possibly the most important factor in the varying fortunes of the liquor companies was the shift in consumer taste from blended to straight whiskey. Prior to the war blends accounted for less than 40% of domestic bottled output. Under the pressure of wartime shortages this percentage rose until, in 1946, the blends reached a high of 88% of domestic bottlings. Subsequently, drinkers demonstrated a steadily rising preference for straight whiskey. Last year United States distillers bottled 74 million gallons of blended spirits, less than half the 1958 million gallons bottled in 1946. Output of straight whiskeys, on the other hand, increased six fold during the same period, from 10 million gallons in 1946 to over 60 million gallons in 1959. The trend has continued into 1960.

Consumers have also been drinking more imported liquor, largely Scotch and Canadian whiskey. Over the past ten years the volume of whiskey imports more than doubled, from 12.5 million gallons in 1949 to 30 million gallons last year. Consumption of gin has increased about three fold during the past decade and vodka has also scored a phenomenal increase in popularity. More recently distillers have introduced a number of bottlings of 86 proof bourbon in response to an increased demand for lighter whiskey and a trend away from the heavier, more expensive bonded bourbon.

The impact of these changes varied from company to company. Distillers such as American and National that concentrated on straights and bourbon (most straights are bourbon) experienced a good lift in beverage operations. Distiller-Seagram suffered from its dependence on blends. Growing demand for Canadian and Scotch enabled Hiram Walker to show steady (Please turn to page 317)



A New Feature . . .

Appraising Significant Developments ★ In INDUSTRY ★ CORPORATIONS ★ The DOLLAR

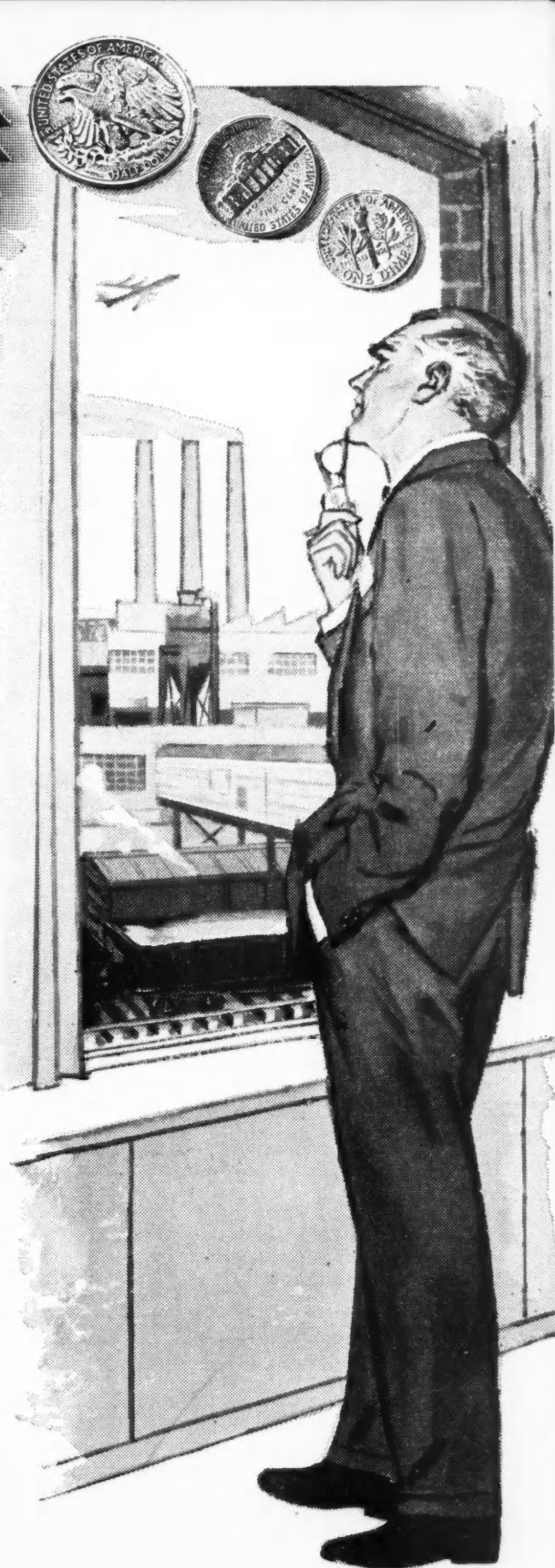
By WILSON HALL

► *Clarifying news about Ford –
General Motors – Kennecott
Copper – International Nickel –
The Russian Ruble*

IN the wake of the disturbing gold crisis, other international aspects of American business and economic activity require appraisal. Curiously enough, the relationship of American parent corporations with affiliates in other countries has become a source of spirited newspaper comment, here and abroad, only within the past fortnight. Such developments illustrate the current rapid process of internationalization of many industries. It can hardly be doubted that this process is desirable, but when it moves more quickly than local popular opinion can accept, fireworks are likely to develop.

The bombshell that most aptly points out this caution was Ford Motor's unexpected announcement that it intends to seek full control of British Ford, at present a 54.2% owned affiliate.

At this writing, although British news sources were up in arms at this latest exercise of "American economic imperialism," the British Government has approved the purchase, in a decision just announced in the House of Commons; this although many were particularly disturbed by the thought that if the deal went through, American interests (GM's Vauxhall operation, besides Ford) would control substantially half of Britain's important auto industry. But



all of the regrets are not on the same side of the ocean. Some American observers are justifiably concerned over the flight of a third of a billion dollars, the approximate purchase price, from our own bank vaults into the hands of British shareholders, just at the time when we are struggling to slow the outflow of gold and reduce foreign claims against the dollar.

What Are Ford's Motives?

In the light of these double misgivings, what are Ford's reasons for this significant move? Henry Ford II may have explained it when he stated, *"One of the major objectives is to achieve greater operational efficiency and greater marketing effectiveness in both countries. If we are successful we shall have a product position and a cost position which should enable us to compete effectively throughout the world."*

While these generalized remarks may represent a true summary of the company's aims, they fail to explain why 100% control of the British affiliate was considered necessary when the existing 54% interest already provided effective determination of policy. The real answer, it seems to us, lies elsewhere. Ford visualizes the world's most rapidly expanding future market for automobiles as in western Europe.

Recent travelers have already noticed that Europe is rapidly becoming "Americanized," both in its taste for goods and in the use of credit as a means of expanding purchasing power. Cars will certainly be high on the want list of the European consumer over the next two decades. But at the same time the growth of the car market in the States has slowed to a walk. In fact, reliable authorities do not expect the industry to match the 8 million cars it sold in 1955 again until 1965, or perhaps even later.

Thus, opportunities in the next pasture now look greener. But if Ford is to benefit completely from the more rapid expansion of the automobile market abroad, it will need to lift the capacity of its British operation substantially over the next several years. Consequently, every dollar paid out to its British shareholders as dividends would have to be matched by an infusion of new capital, of which the most likely source would be the parent company. Perhaps Ford is even visualizing the possibility of government restrictions on the outflow of capital—such as have been commonplace in the past in nearly every other country except our own—if our gold position continues to worsen. A prompt purchase of the minority interest in British Ford would anticipate such a prohibition. Further, it would obviate the necessity of satisfying a bevy of British shareholders and leave the English operation entirely free to finance its own expansion through retained earnings.

A Stronger Footing in the Common Market

Another possible incentive for this step arises from our domestic law. As the majority stockholder in British Ford, the Detroit parent is now obliged to receive dividends from its subsidiary as long as they are declared for the benefit of outside shareholders among the British public. These dividends become taxable earnings, at a very high rate, in this country. With full control no dividends would have to be declared and the \$300 million British investment could be left free to compound itself on a non-taxable basis.

One additional reason for Ford's move may be possible protective measures yet to develop in Europe. Automobile manufacturers there, although relatively well entrenched in their own market, naturally look with a wary eye at the giants across the shrinking Atlantic. The American industry, in its turn, is aware that both the Common Market and Outer Seven groups could discriminate against cars of American origin if they came to represent a major threat against locally domiciled factories. Ford may imagine that complete ownership of its own operation abroad would make European discrimination against its output a very difficult matter. Opinions will differ on this subject, however; many companies active in the foreign field consider that joint ventures, or partnerships with local capital, provide the best protection against retaliation and prejudice.

From the point of view of our own country the proposed move has both advantages and drawbacks. Ford would presumably pay lower taxes to the U. S. government if the British accept the deal. On the other hand, the foreign subsidiary, after the initial purchase of the outside interest, would no longer require infusions of American capital and might eventually begin to make a contribution to our gold stock.

General Motors' Billion and a Quarter Program

Further evidence of the importance of the foreign market in the minds of automobile executives was provided by General Motor's announcement that it will spend one and one quarter billion dollars for expansion during 1961, of which over \$300 million will be expended abroad.

As a matter of fact, the second part of the announcement is really more significant than the first. Approximately \$600 million of the total stated, represents advance commitments made several years ago for tools, dies and other equipment that would be required in normal course during 1961. An additional \$400 million is earmarked for genuine capital expansion in this country, but that amount can hardly be considered startling for a company of GM's magnitude. Thus, the truly newsworthy part of the announcement was the \$300 million to be spent abroad, and this is scheduled to be followed by a further \$200 million in 1962.

This program would keep GM roughly in step with Ford, including the latter's proposed acquisition of British Ford. Not long ago, in a relatively unpublicized move, Ford also obtained majority control of Ford of Canada and through it nearly complete control of Ford of Australia. GM cannot allow itself to lag far behind.

Is Kennecott Pulling in Its Horns?

While Ford and GM were contemplating expanded investment abroad, a major copper company was encountering renewed difficulties among its existing far-flung properties. This was Kennecott Copper, which holds the enviable title of our most efficient domestic producer, but which also operates on a world-wide scale. In Chile, an area of almost chronic labor unrest, a new strike is threatened against Kennecott's Braden subsidiary. This would cost the company millions of dollars in sales although, in the present near-surfeit of the red metal, it would have the partially comforting effect of strengthening

world prices.

Although continuing labor disputes in Chile have come to appear as almost the normal condition, the situation here is more encouraging when reviewed in proper perspective. Despite the strike Kennecott is currently negotiating with the Chilean government to invest an additional \$335 million in that country. This certainly suggests that the operation is at least normally profitable. Chile itself, however, must be the major beneficiary of Kennecott's activities, as it exacts a 50% gross profits tax from the American companies, with a sliding scale surtax running as high as 25% on top of that. In addition, Kennecott not merely pays the highest wages in the country, in which escalator cost-of-living clauses are incorporated, but also provides its workers with free housing, utilities, and hospitalization. And some call this imperialism!

A step with possibly more serious implications to investors is Kennecott's decision to dispose of its \$57 million investment in two African gold mines. The company has not elaborated upon its reasons for this decision, but it is known that one mine has been troubled with constant flooding while the other has proved to have a disappointingly low grade of ore. If these are, indeed, the reasons American investors hardly need to be concerned. But if, as the suspicion inevitably arises, Kennecott's real purposes was to remove itself from this hotbed of nationalism, the move may have greater significance. Other American companies are still building up their properties in this area. It may be assumed, however, that Kennecott's management is as astute as any, and if they correctly sense a crisis in the area the cost to American investors in other companies could be high.

As for Kennecott itself, these divested African properties did not bulk large and their loss can easily be absorbed. The current \$5 dividend should be earned with some room to spare even in this year of relatively low copper prices. Thus, present holders of the stock have little reason for concern, although new investors would be well advised to wait until some of the existing domestic and foreign uncertainties have cleared up.

Suppression of Nicaro Will Benefit International Nickel

No company enjoys witnessing another company's distress, especially when it results from entirely undeserved external causes. Nevertheless, the ill that one company suffers often redounds to the benefit of another. This is likely to be the case with Freeport Sulphur's Nicaro operation in Cuba, which was closed down as one of the most recent in a long series of Castrosities, and International Nickel, the giant producer of its namesake metal.

International already came close to holding a world monopoly for this important coating and alloying agent, and its position is now reinforced by Nicaro's shut-down. Apparently some steel companies hesitated in the past to adopt the use of nickel because of their reluctance to become dependent upon a single corporate source of supply. More recently several of them put up most of the money for the Nicaro project, and may now be even larger losers than Freeport. (The preferred stock, held by the United States government, was, however, all redeemed five years ago.)

Nicaró had an estimated capacity of 25,000 tons

a year which, although minor compared with International, was by no means insignificant. Although it will hardly comfort the companies that had banked on Nicaro, International should make up this loss without difficulty, and steel companies are likely to accommodate themselves to the single major source of supply. Although Inco's 1960 earnings will probably drop a trifle from last year's \$2.92 a share, the outlook is particularly favorable. The company has typically been generous with dividend increases.

Can the Gold Drain Be Checked?

The wild speculations that featured the European free gold markets a few weeks ago have settled down, but the factors underlying the gold crisis continue to make news. Most sensational, of course, was President Eisenhower's order to all defense agencies to slash their spending in western Europe by about \$1 billion. The principal target of this move is, of course, Germany, which has accumulated almost an embarrassment of riches since the end of World War II.

Eisenhower's order requires that all purchasing that can possibly be channelled into American markets be done so at the expense of European suppliers. More drastically, the number of American servicemen's dependents at foreign posts is to be cut back sharply. The effectiveness of this program is now being sharply debated, and at best it may increase total expenses even if it reduces the dollar drain. The currency advisers evidently hope, however, that we can redress the imbalance in our foreign payments by reducing military expenditures abroad by perhaps \$1 billion.

But in all probability an order of this kind will take a long time to implement. Further, President-elect Kennedy may reverse it when he takes office, only two months hence. Accordingly, the order by itself does not look particularly significant. What seems more plausible is that President Eisenhower made his announcement to smooth the path for Secretary Anderson and Undersecretary Dillon in their trek through European capitals seeking help in meeting our present international commitments.

Thus, the "big stick" that Eisenhower is wielding may convince the Germans that the time has come to pick up some of the bills for their own defense. In any case, the United States cannot continue indefinitely picking up the tab for the whole free world. Those other nations that regard themselves as our partners in name must assume a similar role in fact.

Sound Dollars and Bloated Rubles?

There is no denying that the prestige of the dollar has suffered an injury, but if sensible measures are followed from this point the wound need not be fatal. As a matter of fact, the desire to protect the dollar does not reflect mere national self-interest, as this unit has become the common currency standard throughout the free world. Doubts as to its soundness threaten the existing basis of trade and play into the hands of the Soviet Union, which is delighted at every disruptive tendency.

An effort of the Soviet to dramatize the weakness of the dollar can be seen in the recent announcement from Moscow that the theoretical gold content of the ruble has been increased, ostensibly making it more valuable than the dollar. Close examination reveals, as might be (Please turn to page 316)



FOR PROFIT AND INCOME

Electronics

Some of the earlier market magic in the word "electronics" has evaporated, as it was bound to do in due time. This whole stock group is well down from the high. Some of the smaller companies have begun to learn something about the matter of cost control and the unreliability of profits on defense work. Two of various examples may be worth citing. Sales of Electro Instruments were down 14% from a year ago in the quarter ended August 31; and the company had a loss of 21 cents a share, against a profit of 45

cents on fewer outstanding shares in the like 1959 period. Now around 21 bid over the counter, the stock is off from a 1959 high of 68. The latter figure now looks really fantastic. Eitel-McCullough had a sales gain of 14% in the six months through June 30, but margins narrowed and profit was cut to 10 cents a share from 54 cents a year earlier. The stock is off from a 1960 high of 35 over counter to 14. Excluding such mixed-line giants as General Electric, Westinghouse and RCA, probably the three most vigorous companies in electronics are Fairchild Camera & Instrument,

Litton Industries and Texas Instruments. Earnings of all are still growing—but the stocks are at prices which discount profit growth, under the best of conditions, for some years ahead.

Tire Stocks

The tire stock group recorded an all-time high in July, 1959. At the October low, from which there has been a sizable rally, it was off close to 40% in a performance much worse than that of the industrial list. Prospects are clouded on several counts. (1) The 1961 automobile output probably will be under this year's. More of it will be in compact cars, requiring smaller and cheaper tires. Profit margins on this business figure to be even narrower than they are now. (2) Competition and price cutting in the more profitable replacement tire market are more troublesome than in many years. (3) Competition is also keen and volume will be lower in chemicals and other non-tire lines which are important to all the major tire makers. Some further rally in these stocks is possible,

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1960	1959
Magnavox Co.	Quar. Sept. 30	\$.72	\$.53
Niagara Mohawk Power	9 mos. Sept. 30	1.73	1.57
Texas Utilities	Quar. Sept. 30	1.07	.97
American Chicle Co.	Quar. Sept. 30	.91	.83
Consolidation Coal	Quar. Sept. 30	.30	.20
McGraw-Hill Publishing	Quar. Sept. 30	1.24	1.12
Wrigley (Wm.) Jr., Co.	Quar. Sept. 30	1.59	1.39
Champlin Oil & Refining	Quar. Sept. 30	.65	.43
Gillette Co.	9 mos. Sept. 40	2.85	2.42
Texas Gulf Sulphur Co.	Quar. Sept. 30	.34	.27

but we are more inclined to pare positions than to venture new buying. The road ahead looks rough.

"Beneficiaries"

Selecting and recommending stocks supposed to be "beneficiaries" of the Democratic victory in the Presidential election, as some brokers have been doing, seems rather silly. Based on Kennedy's campaign promises, superficially obvious choices are defense stocks, building stocks, drug and hospital supply stocks, textbook publishing issues, and farm equipments. But nobody can say how much business will be generated by the spending programs actually adopted or how profitable it might be. The defense stocks have already had a good rise begun some time ago in discounting increased outlays no matter how the election came out—and profits on defense work are notoriously uncertain and at best are delayed for extended periods after new orders have been obtained. In no event can we have a building boom in 1961. Increased medical aid for the aged probably will be small relative to present total drug-hospital business. The publishing stocks are at inflated levels, discounting previously assured growth in school and collegiate enrollments for years ahead. It is anybody's guess what the new farm program may be and whether it might add significantly to equipment demand.

Basing Out

The charts of some capital goods stocks show "basing-out" tendencies similar to those which preceded the turn in the long-laggard oil group. A few of sufficient duration to suggest that

the lows probably have been put behind are those of Cincinnati Milling Machine, Deere, Dresser Industries, Freeport Sulphur and Halliburton. Others of shorter duration and therefore of less assured implications are those of Caterpillar Tractor, Dana Corp., Ingersoll-Rand, Inland Steel, U. S. Steel and Timken Roller Bearing.

Surprise

A boost in the dividend of any steel company these days is certainly surprising news. The case in point is Continental Steel, fairly small, semi-integrated maker of wire products and galvanized sheets. The record is better than average, with 1959 profit up over 45% to a record \$5.48 a share since operations continued through the steel strike. The cash position is comfortable, 1960 profit will be around \$4.00 a share, and policy is to pay out about half of earnings. So the regular dividend rate has been raised from \$1.50 to \$1.60 and supplemented with a 90-cent extra. At 39 in a 1959-1960 range of 47 $\frac{1}{4}$ -31, yielding 6.4%, the speculative stock is worth holding. Despite the good news, however, present upside potentials do not appear wide.

Spiegel

Rapid expansion in the business of this mail order concern is continuing. Sales in October were 36.6% ahead of a year ago, bringing the gain for ten months of 1960 to 19.3%. But earnings have been held back by costs of expansion of facilities and largely increased distribution of catalogs over a broadened marketing area. They were about even with a year ago for nine months through September, although

showing a gain of 23% for the third quarter. Full-year net should approximate or moderately exceed 1959's sharply increased \$3.82 a share, up from \$1.67 in 1958 and \$1.17 in 1957. Since promotion costs figure to decline in relation to sales, a good 1961 profit gain now seems likely. Allowing for ultimate conversions of debentures, the company appears well along toward attaining an average earning power in the vicinity of \$5.00 or so a share, permitting a later boost in the \$1.50 dividend rate. Now at 40 $\frac{3}{4}$, against 1959 high of 47 $\frac{1}{2}$, the stock has been working irregularly higher from an April, 1960, low of 29 $\frac{3}{4}$. It was recommended here in our October 8 issue at 35 $\frac{3}{4}$. We suggest holding it for further possibilities, buying it on any appreciable price dips.

Insiders

Latest reports show there has been some insider selling in American Motors, Anderson, Clayton; Burlington Industries, Granby Mining, Hertz, National Distillers & Chemical, and Polaroid. There has been insider (non-option) buying in American Ice and Nafi Corp.

Inside The Market

Stock groups making a better showing than the market at this writing are principally: building materials, chemicals, coal, drugs, foods, finance companies, machinery, motion pictures, oils, liquor, mail order, soft drinks, textiles and tobaccos. Currently lagging groups, probably for technical reasons in some cases, include aircraft, air transport, automobiles, copper, gold mining, paper, department stores, shipping, steel and sulphur.

Drugs

Most drug stocks are well down from their highs, some sharply so. In a number of cases, earnings gains will be small or absent this year as a result of keener competition and price cutting on some products. The stocks are generally high on earnings and lack stimulus of important new discoveries in ethical drugs. The only sensation this year has been Mead Johnson's (Please turn to page 318)

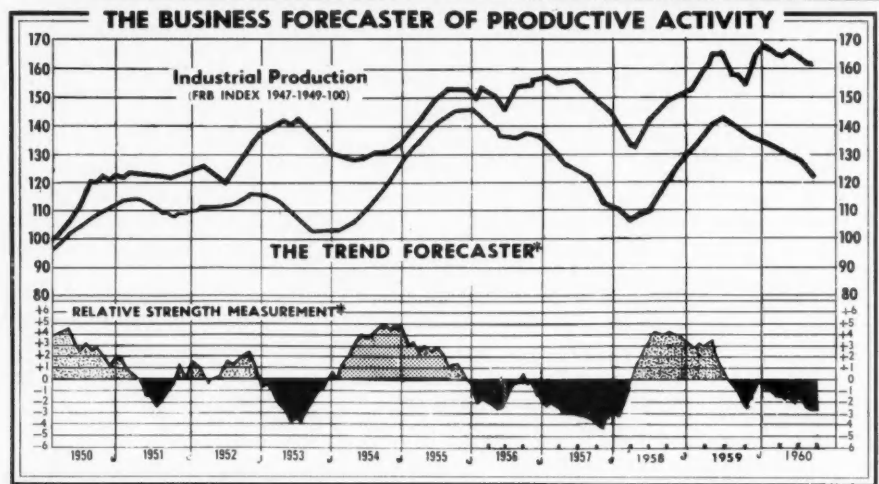
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1960	1959
Carter Products, Inc.	Quar. Sept. 30	\$.79	\$.92
Freeport Sulphur Co.	Quar. Sept. 30	.41	.54
Bohn Alum. & Brass	Quar. Sept. 30	.12	.32
Bridgeport Brass Corp.	Quar. Sept. 30	.21	.92
American Viscose	Quar. Sept. 30	.11	.66
Burroughs Corp.	Quar. Sept. 30	.17	.32
De Vilbiss Co.	Quar. Sept. 30	.85	1.13
Udylite Co.	Quar. Sept. 30	.34	.61
Upjohn Co.	Quar. Sept. 30	.49	.61
Studebaker-Packard	9 mos. Sept. 30	.02	2.39

the Business

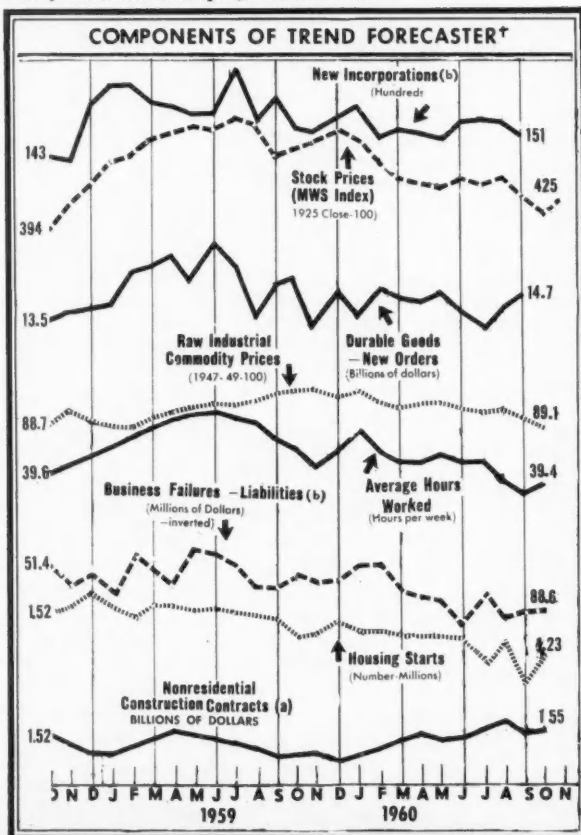
Business Trend Forecaster

INTERESTING TO NOTE — Sharp divergence between industrial output and underlying business trends in early 1960, denoting heavy accumulation of inventories.



* Latest figures are preliminary.

With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.



(f)—Seasonally adjusted except stock and commodity prices.

(a)—Computed from F. W. Dodge data.

(b)—Computed from Dun & Bradstreet data.

This we have done in our *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook — the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our *Business Trend Forecaster* of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

Several of the leading business indicators moved moderately higher in the latest period but gains were not large enough to affect the *Relative Strength Measure*, which remained unchanged. Stock prices advanced last month, after the sharp decline of the previous two months, housing starts rebounded from the severely depressed September figure, nonresidential contracts were up slightly, hours worked were higher, the liabilities of business failures were somewhat better, although still far from satisfactory levels and new orders were higher in September, the latest period for which data are available. Only new incorporations and raw industrial commodity prices were lower, among the components of the *Forecaster*.

The *Relative Strength Measure*, which is based on the intermediate trend of the indicators, was not affected by the short-term improvement in the components and remained at the minus 2.8 level, where it is predicting further business readjustment but no sharp recession.

Analyst

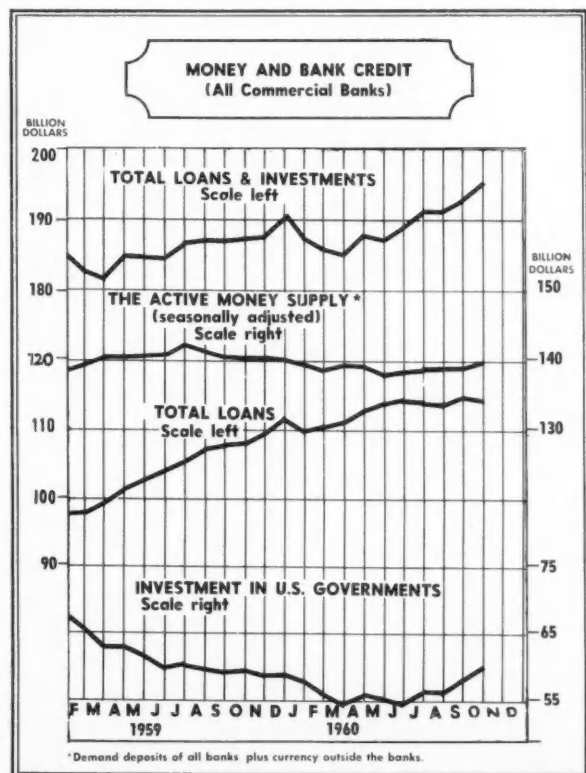
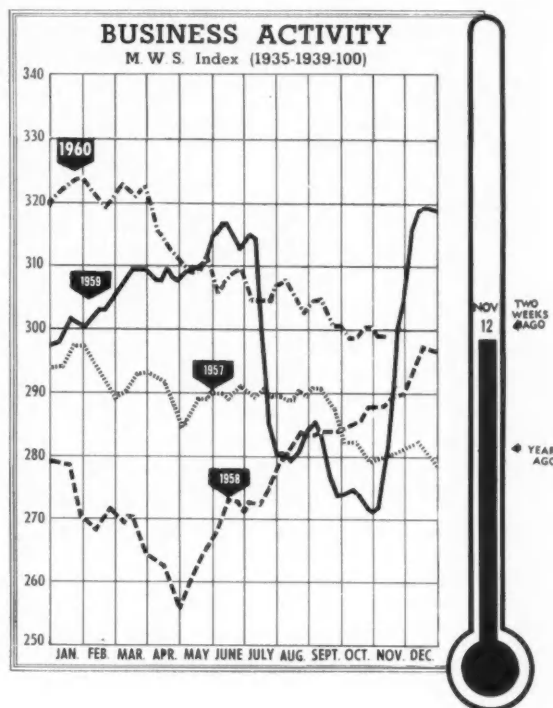
CONCLUSIONS IN BRIEF

PRODUCTION—Output falling after period of stability in October. Auto makers cutting production as dealer inventories mount and declining new orders in the barometric paperboard industry presage some further slowdown in a wide variety of lines.

TRADE—Increasing unemployment and heavy debt load are contributing to consumer caution. Retail sales have receded after October spurt but high personal income should stabilize demand over the next few months.

MONEY & CREDIT—Short-term money rates irregular in recent weeks and may move higher if the Federal Reserve acts to discourage flow of "hot money" to higher yielding foreign obligations.

COMMODITIES — Commodity prices display seasonal strength in first half of November, with both sensitive raw materials and farm prices moderately higher. Look for renewed pressure on finished goods as manufacturers cut top-heavy inventories.



ALTHOUGH the experts have just about reached agreement that an economic contraction is under way, some of the key business indicators are refusing to behave as expected, if they are to confirm the diagnosis of recession.

General business activity reached a peak some five months ago and, in a normal cyclical downturn, the decline should have been gaining momentum by now. But this has not happened thus far. Although signs of weakness are still evident, nevertheless several sectors of the economy have firmed up nicely in recent weeks and at least for the time being, the resulting cross-currents have given business more of the appearance of rolling readjustment than a full-fledged downturn.

What is the reason for the relative stability that we are currently experiencing? Is this merely a short pause before the decline is resumed with renewed vigor, or are we building the base for a genuine upturn in the months ahead? For some light on these questions, let us take a look at the recent movements of the main indicators of business conditions and see what they can tell us.

A surprising development this Fall has been the number of sectors that have shown improvement. Thus the latest figures for new orders, housing starts, hours worked, personal income and retail sales, all show better than seasonal gains over the previous month. It must be admitted at the outset, that temporary factors have played a role in all of these gains. Thus the early introduction of new

(Please turn to the following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Oct.	162	162	155
Durable Goods Mfr.	1947-'9-100	Oct.	165	166	155
Nondurable Goods Mfr.	1947-'9-100	Oct.	159	160	157
Mining	1947-'9-100	Oct.	126	126	120
RETAIL SALES*	\$ Billions	Oct.	18.5	18.0	18.3
Durable Goods	\$ Billions	Oct.	6.1	5.8	6.4
Nondurable Goods	\$ Billions	Oct.	12.4	12.3	12.0
Dep't Store Sales	1947-'9-100	Oct.	150	144	147
MANUFACTURERS'					
New Orders—Total*	\$ Billions	Sept.	30.4	30.0	30.6
Durable Goods	\$ Billions	Sept.	14.7	14.4	14.7
Nondurable Goods	\$ Billions	Sept.	15.7	15.6	15.8
Shipments*	\$ Billions	Sept.	29.9	30.1	29.8
Durable Goods	\$ Billions	Sept.	14.3	14.4	14.1
Nondurable Goods	\$ Billions	Sept.	15.6	15.7	15.7
BUSINESS INVENTORIES, END. MO.*	\$ Billions	Sept.	93.2	93.3	89.2
Manufacturers'	\$ Billions	Sept.	54.8	55.0	51.9
Wholesalers'	\$ Billions	Sept.	13.1	13.1	12.5
Retailers'	\$ Billions	Sept.	25.3	25.2	24.8
Dept. Store Stocks	1947-'9-100	Sept.	168	169	160
CONSTRUCTION TOTAL—†	\$ Billions	Oct.	55.0	55.2	51.8
Private	\$ Billions	Oct.	38.3	38.8	37.5
Residential	\$ Billions	Oct.	20.9	21.7	21.7
All Other	\$ Billions	Oct.	17.4	17.1	15.8
Housing Starts*—a	Thousands	Oct.	1231	1066	1378
Contract Awards, Residential—b	\$ Millions	Oct.	1390	1277	1515
All Other—b	\$ Millions	Oct.	1929	1841	1620
EMPLOYMENT					
Total Civilian	Millions	Oct.	67.5	67.8	66.8
Non-farm*	Millions	Oct.	53.1	53.2	52.0
Government*	Millions	Oct.	8.5	8.5	8.2
Trade*	Millions	Oct.	11.7	11.7	11.5
Factory*	Millions	Oct.	12.1	12.2	12.0
Hours Worked	Hours	Oct.	39.6	39.5	40.3
Hourly Earnings	Dollars	Oct.	2.31	2.30	2.21
Weekly Earnings	Dollars	Oct.	91.48	90.85	89.06
PERSONAL INCOME*	\$ Billions	Oct.	410	409	384
Wages & Salaries	\$ Billions	Oct.	275	275	259
Proprietors' Incomes	\$ Billions	Oct.	61	61	58
Interest & Dividends	\$ Billions	Oct.	42	42	38
Transfer Payments	\$ Billions	Oct.	30	30	27
Farm Income	\$ Billions	Oct.	16	16	14
CONSUMER PRICES	1947-'9-100	Sept.	126.8	126.6	125.2
Food	1947-'9-100	Sept.	120.2	120.1	118.7
Clothing	1947-'9-100	Sept.	110.5	109.3	109.0
Housing	1947-'9-100	Sept.	132.0	131.5	129.7
MONEY & CREDIT					
All Demand Deposits*	\$ Billions	Oct.	111.5	110.3	112.0
Bank Debits*—g	\$ Billions	Oct.	95.4	96.3	92.2
Business Loans Outstanding—c	\$ Billions	Oct.	32.5	32.6	30.5
Installment Credit Extended*	\$ Billions	Sept.	4.1	4.0	4.2
Installment Credit Repaid*	\$ Billions	Sept.	3.9	3.9	3.7
FEDERAL GOVERNMENT					
Budget Receipts	\$ Billions	Sept.	9.0	6.5	8.5
Budget Expenditures	\$ Billions	Sept.	6.8	6.8	6.3
Defense Expenditures	\$ Billions	Sept.	4.0	4.0	3.8
Surplus (Def) cum from 7/1	\$ Billions	Sept.	(1.2)	(3.4)	(1.8)

PRESENT POSITION AND OUTLOOK

model cars this year and the speed-up in production that this entailed, has been an important bolstering influence that will tend to fade out in the months ahead. And the concentration of orders from the Defense Department this Fall has also provided a stimulus of a somewhat longer-term nature. But this is not the whole story by any means; even without these artificial stimulants, some key sectors of the economy appear to have established a solid base of demand that will not easily be breached. Take new orders for instance, which rose by 7% from July to September and are expected to show firmness for October. The important development here is not the gain in orders attributable to the speed-up of armament business, but the fact that orders received by industries which are far removed from the influence of the Defense speed-up have been able to achieve stability during this period of business uncertainty. Consider too, the October rebound in retail trade which recovered almost half the decline of the preceding five months. Here also, we must discount the effect of temporary factors; in this case, it was the early availability of new model cars that enabled dealers to rack up better than average results. But again, the important development is the underlying stability of demand for other types of goods that is evident from the sales figures.

Another area of support in the months ahead is the Government sector. Federal spending is headed higher, and outlays by states and municipalities will expand even more than previously expected as a result of the record number of spending projects approved by the voters on November 8. Our article in this issue, "Spending Billions of Dollars As Shock Treatment For Our Economy," covers this subject in detail.

Although new orders, retail sales and the Government sector all reveal basic underlying strength, this does not mean that the economic readjustment has been completed, but it greatly increases the probability that further contraction will be mild. The process of readjustment still has further to go

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1960			1959
	Quarter III	Quarter II	Quarter I	Quarter III
GROSS NATIONAL PRODUCT	503.0	505.0	501.3	481.4
Personal Consumption	328.5	329.0	323.3	316.0
Private Domestic Invest.	70.5	75.5	79.3	67.5
Net Exports	3.5	2.0	1.2	— 0.2
Government Purchases	100.5	98.6	97.5	98.1
Federal	52.5	51.7	51.8	53.6
State & Local	48.0	46.9	45.7	44.5
PERSONAL INCOME	408.0	404.2	396.2	384.8
Tax & Nontax Payments	50.5	49.9	49.2	46.3
Disposable Income	357.5	354.3	347.0	338.5
Consumption Expenditures	328.5	329.0	323.3	316.0
Personal Saving—d	29.0	25.2	23.7	22.5
CORPORATE PRE-TAX PROFITS		45.7	48.8	45.3
Corporate Taxes		22.3	23.8	22.3
Corporate Net Profit		23.4	25.0	22.9
Dividend Payments	14.0	13.9	13.9	13.6
Retained Earnings		9.5	11.1	9.3
PLANT & EQUIPMENT OUTLAYS	36.9	36.3	35.2	33.4

THE WEEKLY TREND

		Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*....	1935-'9-100	Nov. 12	298.2	297.9	282.5
MWS Index—Per capita*.....	1935-'9-100	Nov. 12	214.7	214.4	206.6
Steel Production % cap.	% of Capacity	Nov. 19	51.4	51.5	78.9
Auto and Truck Production	Thousands	Nov. 19	179	167	85
Paperboard Production	Thousand Tons	Nov. 12	325	309	331
Paperboard New Orders	Thousand Tons	Nov. 12	272	356	304
Electric Power Output*	1947-'49-100	Nov. 12	272.9	271.5	251.3
Freight Carloadings	Thousand Cars	Nov. 12	565	599	638
Engineerings Constr. Awards	\$ Millions	Nov. 17	474	314	372
Department Store Sales	1947-'9-100	Nov. 12	163	149	167
Demand Deposits—c	\$ Billions	Nov. 9	58.8	59.8	60.8
Business Failures—s	Number	Nov. 10	298	317	285

*Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. (s)—Data from Dun Bradstreet. (t)—Seasonally adjusted, annual rate. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1960		1960	1960	(Nov. 14, 1936 Cl.—100)	High	Low	Nov. 11	Nov. 18
Composite Average	High	Low	Nov. 11	Nov. 18	High Priced Stocks	299.9	262.7	276.1	275.5
	482.5	410.9	429.3	427.0	Low Priced Stocks	653.8	527.6	546.6	537.7
4 Agricultural Implements	424.3	346.4	385.4	376.7	5 Gold Mining	1206.1	810.8	1165.5	1064.2
3 Air Cond. ('53 Cl.—100)	130.1	105.8	113.5	113.5	4 Investment Trusts	170.6	136.5	145.0	143.3
9 Aircraft ('27 Cl.—100)	1116.1	861.9	1049.8	1038.7	3 Liquor ('27 Cl.—100)	1534.5	1098.2	1189.5	1173.4
7 Airlines ('27 Cl.—100)	1044.6	736.7	791.7	769.7	7 Machinery	512.8	402.9	444.8	439.6
4 Aluminum ('53 Cl.—100)	521.3	354.5	380.5	375.3	3 Mail Order	446.1	364.2	391.5	396.0
5 Amusements	286.7	209.3	275.3	282.1	4 Meat Packing	286.8	223.9	245.8	245.8
5 Automobile Accessories	531.1	401.0	411.8	401.0	4 Mtl. Fabr. ('53 Cl.—100)	208.6	132.4	138.4	138.4
5 Automobiles	157.0	97.0	103.1	97.0L	9 Metals, Miscellaneous	399.1	313.3	339.4	339.4
3 Baking ('26 Cl.—100)	39.1	34.9	37.2	37.5	4 Paper	1237.1	867.3	956.6	931.0
4 Business Machines	1422.6	1159.1	1211.8	1211.8	16 Petroleum	736.9	609.0	684.2	691.7
6 Chemicals	809.6	657.3	713.4	721.4	16 Public Utilities	393.4	341.6	379.6	379.6
4 Coal Mining	36.0	27.2	29.3	28.9	6 Railroad Equipment	99.8	76.9	78.8	78.8
4 Communications	234.4	199.9	206.8	204.5	18 Railroads	70.1	49.9	52.6	52.6
9 Construction	169.2	143.3	150.2	148.5	3 Soft Drinks	864.7	690.3	850.1	864.7H
5 Container	1064.7	824.6	855.9	866.4	11 Steel & Iron	464.9	325.4	344.0	334.7
5 Copper Mining	347.6	285.3	304.9	288.6	4 Sugar	100.9	63.0	67.6	67.6
2 Dairy Products	196.2	146.8	196.2	193.1	2 Sulphur	655.9	563.1	612.6	612.6
5 Department Stores	156.7	135.2	143.8	145.2	11 TV & Electron. ('27—100) ...	119.4	86.8	93.3	92.2
5 Drugs-Eth. ('53 Cl.—100)	474.7	360.4	378.0	378.0	5 Textiles	233.0	183.3	189.9	192.1
5 Elect. Eqp. ('53 Cl.—100)	384.7	310.7	332.9	340.3	3 Tires & Rubber	255.9	173.2	186.1	181.0
3 Finance Companies	775.9	648.8	755.9	775.9H	5 Tobacco	218.2	182.5	214.4	218.2H
5 Food Brands	508.6	419.3	504.1	508.6H	3 Variety Stores	382.1	349.3	356.6	356.6
3 Food Stores	270.8	232.1	242.4	239.8	14 Unclassif'd ('49 Cl.—100) ...	295.1	226.6	234.5	229.2

H—New High for 1960.

L—New Low for 1960.

PRESENT POSITION AND OUTLOOK

in such important areas as inventories and capital spending, while imbalances of a more ingrained nature continue to plague us, including excess capacity and unrealistic price levels in a number of industries. Although these latter maladjustments have been with us for some time, their impact has now increased to the point where competition is becoming severe, profit margins are being cut sharply and weaker firms may be forced to the wall. Finally, our monetary situation is far from ideal and will require strenuous measures to correct the deficit in our balance of payments. Failure to take the necessary steps may aggravate the outflow of gold and could lead to a crisis.

In short, our situation will require careful handling if we are to accomplish the necessary readjustments without undergoing a painful contraction. Fortunately, we can count on assistance from the existing basic areas of strength, plus the built-in business stabilizers. These factors plus concentrated determination and unsparing effort should enable us to attain a realistic and constructive solution of our problems.

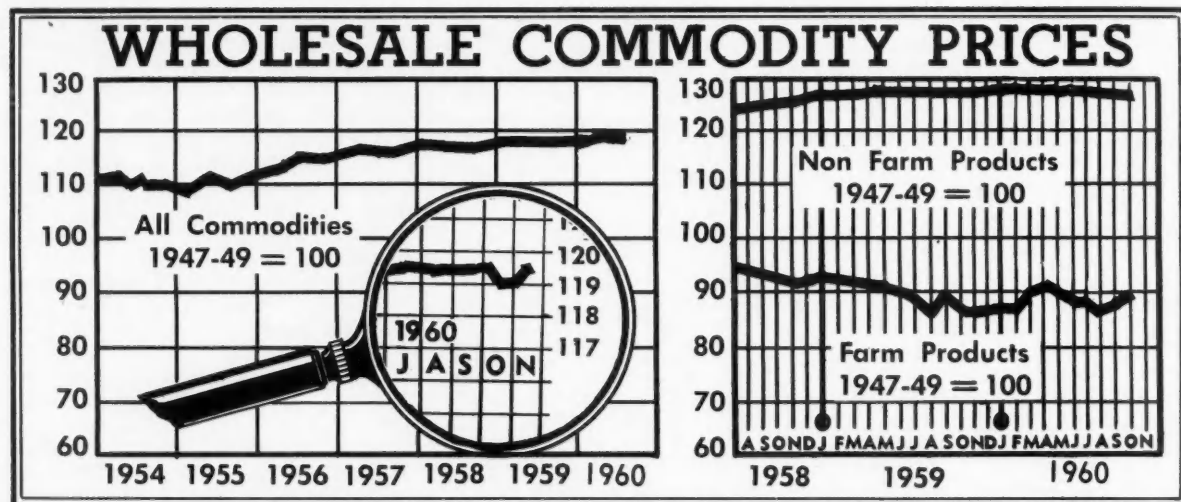
Trend of Commodities

SPOT MARKETS—Sensitive raw industrial materials improved somewhat in the two weeks ending November 18 but raw foodstuffs were lower. The BLS daily index of 22 leading commodities added 0.1%, remaining near the year's low. The raw industrial materials component gained 0.8%, with burlap, copper scrap, hides, tallow and wool tops all advancing. Only rubber and tin were lower.

Meanwhile, the rank and file of commodities represented by the BLS comprehensive weekly price index came back rapidly from their recent dip. Farm prices and raw materials led the way with seasonal factors aiding the advance. Finished goods were little changed and may be under renewed pressure in the weeks ahead as producers try to reduce the high level of inventories in this category.

FUTURES MARKETS—Futures prices in many sections of the list reacted sharply in the two weeks ending November 18. Speculators who had bought heavily prior to the Election, on hopes of a Kennedy victory, dumped their holdings on the "good news" and prices receded swiftly. Corn, oats, soybeans, sugar, coffee, cocoa, copper and rubber all suffered losses, while wool and hides managed to advance.

Wheat futures were the best-acting of the grains and the nearby December option actually advanced fractionally in the period under review. The pace of wheat exports has been at an all-time record and movements into the loan have been heavy. However, with prices now approaching equivalent loan levels, further gains could encourage withdrawals from the support program and put pressure on prices.



BLS PRICE INDEXES 1947-1949=100

BLS PRICE INDEXES		Latest 2 Weeks			
1947-1949-100		Date	Date	1 Yr. Ago	Dec. 6 1941
All Commodities	Nov. 15	119.6	119.0	118.9	60.2
Farm Products	Nov. 15	89.7	88.2	85.4	51.0
Non-Farm Products	Nov. 15	127.9	127.5	128.5	67.0
22 Sensitive Commodities ..	Nov. 18	82.7	82.6	85.7	53.0
9 Foods	Nov. 18	75.4	76.1	73.5	46.5
13 Raw Ind'l. Materials..	Nov. 18	87.9	87.2	95.2	58.3
5 Metals	Nov. 18	88.2	87.8	104.0	54.6
4 Textiles	Nov. 18	80.6	79.9	79.5	56.3

MWS SPOT PRICE INDEX

14 RAW MATERIALS

1923-1925 AVERAGE=100

AUG. 26, 1939=63.0 Dec. 6, 1941=85.0

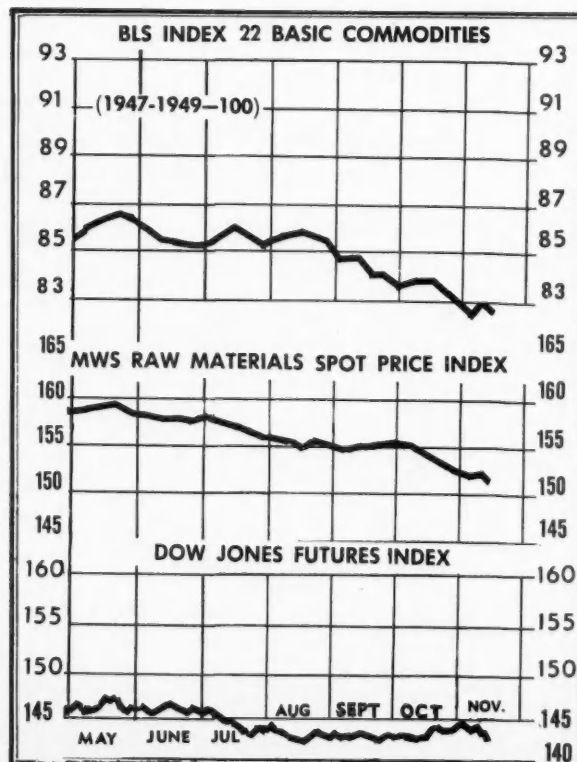
	1960	1959	1953	1951	1941
High of Year	160.0	161.4	162.2	215.4	85.7
Low of Year	151.7	152.1	147.9	176.4	74.3
Close of Year ...	158.3	152.1	180.8	83.5	

DOW-JONES FUTURES INDEX

12 COMMODITIES

AVERAGE 1924-1926=100

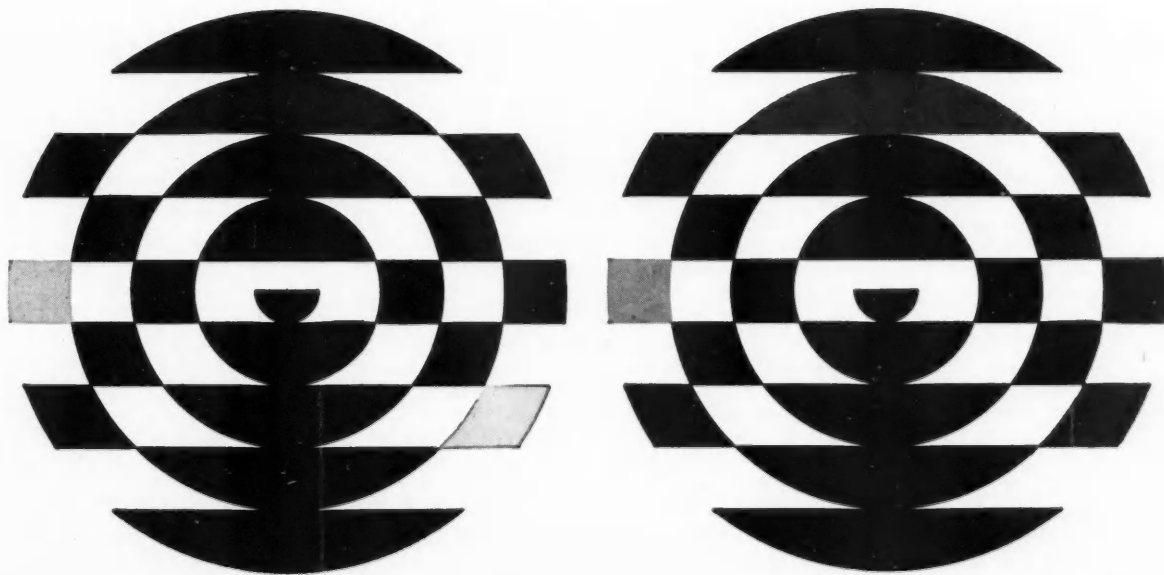
	1960	1959	1953	1951	1941
High of Year	148.7	152.7	166.8	215.4	84.6
Low of Year	142.6	144.2	153.8	174.8	55.5
Close of Year	147.8	166.5	189.4	84.1	



The problem of measuring similarity lies at the heart of many studies in medical research. Now IBM has developed a computer technique to help scientists uncover important similarities among disease symptoms. Charles Darwin spent 22 years analyzing the information he gathered on a single trip around the world. Ironically enough, the truth he sought was obscured by the mountains of data he had collected. ■ In a modern attack on Darwin's dilemma, IBM mathematicians have found a way of using a computer to speed the search for similarities in great masses of information. The computer compares each item of data with every other. It creates a logical system of classification and often reveals elusive relationships. ■ Doctors at a New York hospital are now using this method to study certain blood diseases and their complex symptom patterns. The same principle may be valuable in information retrieval systems of the future, which will provide easy access to millions of documents. ■ By using computers and data processing systems to deal with gigantic data problems, scientists and businessmen alike can now find solutions that would otherwise remain hidden.

IBM[®]

they're alike...but how much alike?





Answers to Inquiries...

The Personal Service Department of THE MAGAZINE OF WALL STREET, 120 Wall St., New York City 5, N.Y., will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Winn-Dixie Stores, Inc.

"For many years, I have been a subscriber and careful reader of The Magazine of Wall Street. Recently, I retired from my former lifetime occupation as a school teacher, and I am now dependent on a small pension plus income from my savings. I have noticed that the 'Winn-Dixie' store in my neighborhood is well run and I am considering purchase of the common stock of the company. Do you consider this issue a good purchase at this time, for safety of principal and dependable income?"

M. A., Greenville, S. C.

Winn-Dixie Stores operates a chain of about 510 food stores, with the heaviest concentration in Florida, South Carolina and North Carolina. Stores are also operated in Georgia, Kentucky, Alabama, Mississippi, Louisiana, Indiana, Virginia and Tennessee. The company has expanded its grocery chain rapidly, with 412 new stores opened in the 12 years through mid-1960; 177 stores acquired; and 405 outmoded stores closed. During this period, average sales per store increased from \$7,391 weekly to \$27,143. In addition to the general line of food products, most stores distribute various household items, cosmetics and drugs. The company services its stores from divisional distribution centers, which are

strategically located. It also operates baking plants, manufactures salad dressing and peanut butter, and processes coffee, tea and ice cream. As a result of new store openings and acquisitions, as well as growth of the area served, the company's sales have increased from \$113,490,000 in the fiscal year ended June 30, 1950, to \$721,530,000 in the 1960 fiscal year. The company is continuing to expand its outlets, with 46 newly constructed stores opened in the 1960 fiscal year, and 34 smaller stores closed. As of June 27, 1960, 54 new retail locations were in various stages of development.

Since 1950, net income has increased from \$2,330,000 to \$15,800,000, or from 34 cents to \$1.25 per share, after adjustment for a 3 for 1 stock split in 1954 and a 2 for 1 stock split-up on October 31, 1960. Earnings of \$1.25 per share, for the fiscal year ended about June 27, 1960, compared with \$1.11 in the 1959 fiscal year, after adjustment for the recent stock split-up.

While sales increased 8.3% in fiscal 1960 over the year previous, the recent gain in sales was at a somewhat slower pace. For the 12

weeks ended September 17, 1960, sales were 4.8% higher than a year previous. In the recent period, earnings increased to 27 cents per share from 25 cents a year ago, after adjustment for the stock split-up mentioned.

The company follows the policy of declaring, on quarterly dates, three cash dividends payable monthly. With the July 30, August 31 and September 30, 1960 payments the monthly dividend was increased to 11 cents per share from 10 cents paid previously on the old stock, prior to the recent split-up. On October 31, 1960, a 12 cent monthly dividend was paid on the old stock and, following the 2 for 1 split on the same date, two monthly dividends of 6 cents each are payable November 30 and December 27. Thus, the annual dividend rate on the present stock is 72 cents per share.

At the current price of about 29, the stock is selling at approximately 23 times reported earnings for the 1960 fiscal year, and yields only about 2.5% on the 72 cent per share annual dividend. Thus, the stock is selling at a high ratio in relation to reported earnings, and offers only a small yield. Therefore, the stock is discounting possible further growth some period of time into the future. Further, the stock has already more than doubled in price from its 1958 adjusted low of 13 $\frac{1}{8}$, and has advanced almost 50% from its 1959 adjusted low of 20.

For these reasons, we do not believe that this issue would meet your investment objectives. If later events should prove that the current price of this stock is too high, it might become necessary for you to hold the shares, if

(Please turn to page 320)

Bank Stocks As Investments For 1961

(Continued from page 290)

were announced simultaneously. Earlier this year Fidelity-Baltimore National Bank and Maryland Trust Company merged to form Baltimore National Bank and Harris Trust Company of Chicago joined forces with Chicago National Bank. Also, in California, California Bank of Los Angeles is joining forces with First Western under holding company control by Firstamerica Corporation.

Among the New York City banks, the five which have branch systems appear to be in a favored position to benefit from "retail banking" and to move into the suburbs. These banks are First National City Bank, Chase Manhattan Bank, Chemical Bank New York Trust Company, Bankers Trust Company and Manufacturers Trust Company.

First National City Bank of New York with 85 domestic offices and 83 foreign offices, is particularly well balanced as between wholesale and retail and foreign and domestic banking facilities. Earnings of this bank are rising to over \$6 per share this year. As previously mentioned, in addition to the \$3 regular cash dividend rate, this bank declared a 2% stock dividend recently.

Chase Manhattan Bank, with over 100 domestic offices in all five boroughs of New York City and 27 foreign offices also is well situated to perform all types of banking services. Chase Manhattan is advancing its operating earnings to over \$5.50 per share this year from \$4.91 per share in 1959. Last year this bank paid \$2.40 in cash plus 2% in stock. While no announcement of any change has been made in dividend policy this year, it is expected that Chase Manhattan will declare in dividends at least no less than it did last year.

Chemical Bank New York Trust Company with over 100 domestic offices in all boroughs of New York City has been going through merger adjustments during the past year or two. It is earning about \$4.85 per share this year compared with \$4.60 last year. A



which
way
is

the wind blowing?

When it comes to the weather, that's easy. One glance at the weather vane tells you. But in our business it's not nearly that simple.

True, there may be prevailing winds in the market from time to time pushing prices either up—or down.

But there are always so many cross currents affecting individual industries, individual companies, and individual stocks that it takes what amounts to a full time "weather bureau" to answer that question with any degree of authority.

Here at Merrill Lynch, we call that weather bureau our Research Department.

Hard core of the Department is a group of industry specialists and analysts—more than forty seasoned observers who share the responsibility of knowing all they can about forty-three different major industries and all the important companies in those industries.

Day in and day out, they comb through millions of words of fact in news stories, annual reports, government studies, and industrial magazines. In the course of a year they will make hundreds of field trips to talk with the key people in every major industry. Taken collectively, these analysts are the very best "weathermen" we know of when it comes to finding out which way the wind is really blowing in the world of stocks and bonds.

If you're not satisfied with just a glance at a weather vane when it comes to your own investments . . .

If you'd like our Research Department to prepare the most careful analysis it can make of your present portfolio, just ask.

There isn't any charge—you're not obligated in any way. Just include some discussion of your over-all financial situation and your investment objectives in a letter addressed to—

JOSEPH C. QUINN

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Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

ORIGINAL PREFERRED STOCK
Dividend No. 206
65 cents per share;

CUMULATIVE PREFERRED STOCK,
4.32% SERIES
Dividend No. 55
27 cents per share.

The above dividends are payable December 31, 1960, to stockholders of record December 5. Checks will be mailed from the Company's office in Los Angeles, December 30.

P. C. HALE, Treasurer

November 17, 1960



Pullman Incorporated

— 398th Dividend — 94th Consecutive Year of Quarterly Cash Dividends

A quarterly dividend of fifty cents (50¢) per share will be paid on December 14, 1960, to stockholders of record November 30, 1960.

CHAMP CARRY
President

Division and Subsidiaries:

Pullman-Standard Division
The M. W. Kellogg Company
Trailmobile Inc.
Trailmobile Finance Company
Swindell-Dressler Corporation
Transport Leasing Company

dividend increase was made at the time of the merger with New York Trust Company last year, and the dividend has just been raised again, to a \$2.60 annual rate, from the previous \$2.40 payment. After this increase, a healthy spread still remains between earnings and dividends.

Bankers Trust Company with 47 domestic offices, is showing one of the best gains in earnings among the New York City banks this year, increasing net operating earnings from \$3.40 in 1959 to over \$4 in 1960. This year a 100% stock dividend was paid and the cash rate was increased concurrently. The \$1.72 present dividend rate appears to be below the historical average 50% payout rate for this bank and a dividend increase would appear to be a reasonable expectation. Dividend action, however, may be tied in with the proposed formation of a bank holding company with County Trust Company of Westchester.

Manufacturers Trust Company which has 116 offices in New York City, is pushing its earnings up over \$5.10 per share this year from \$4.69 in 1959. In December 1959, this bank raised its cash dividend rate from \$2.20 to \$2.40 per share. A further rise soon to \$2.60 per share would seem logical in view of the bank's earnings rise and considering its past history of gradually raising the cash dividend rate in steps of this magnitude.

Favored among the banks in other parts of the country have been four of the larger banks in California. These banks have the triple advantages of rapidly growing territory, statewide branching privileges and substantial size and financial strength. In addition they enjoy excellent management. These banks include:

Bank of America, the largest bank in the United States with over 660 branches throughout both northern and southern California. This bank is experiencing a good gain in earnings from \$3.37 per share in 1959 to over \$3.60 in 1960. It recently increased its cash dividend rate from \$1.90 per share to \$2.00 per share.

Well Fargo Bank American Trust Company, with 115 offices in the northern California area, is

pushing up its earnings for 1960 to over \$4.50 per share versus \$4.12 in 1959. Stock dividends were paid last year in connection with the merger of Wells Fargo Bank with American Trust Company. Reflecting the gains in earnings made this year, another 10% stock dividend was declared recently. The \$1.60 annual cash dividend rate is being maintained.

Security First National Bank of Los Angeles, with 233 branches throughout central and southern California, also is increasing its net operating earnings this year from \$3.99 per share in 1959 to over \$4.50 per share this year. This bank, like Wells Fargo American Trust, has recently declared a 10% stock dividend. Security First National Bank also paid a 10% stock dividend in 1959. The present \$1.60 cash dividend rate is being maintained.

Crocker-Anglo National Bank should show net operating earnings of \$2.90 to \$3.00 per share this year, up from \$2.56 per share in 1959. Reflecting the improvement in earnings, the bank recently announced an increase in its annual cash dividend rate from \$1.20 to \$1.40 per share, or from 30¢ to 35¢ quarterly. Anglo California National Bank maintains 85 offices throughout California.

Three other banks in various parts of the country which have attracted the interest of bank stock investors are First National Bank of Boston, Mellon National Bank and Trust Company of Pittsburgh and First Pennsylvania Banking and Trust Company.

First National Bank of Boston has 26 domestic offices and 15 in Latin America. It is the largest branch in New England and its management has shown exceptional ability in developing new banking services and increasing earnings. Earnings for 1960 should approximate \$6.30 per share versus \$5.83 in 1959. A 25% stock dividend was paid early this year after which a \$3.00 annual cash dividend rate was established.

Mellon National Bank and Trust Company of Pittsburgh is the largest bank in Pennsylvania and operates 60 offices in six counties in the Pittsburgh area. This bank has great capital strength, able

management and excellent accounts both with Pittsburgh and national firms. Earnings this year should be around \$9.50 per share, up from \$8.94 per share in 1959. The dividend rate is \$4.00 in cash plus a 2% regular stock dividend which has been paid in 1958, 1959 and 1960.

First Pennsylvania Banking and Trust Company, is the largest bank in Philadelphia, excluding the proposed combined Girard-Philadelphia National Bank. First Pennsylvania has 38 offices throughout Philadelphia and adjacent territories. Earnings for 1960 are up about 18% from last year and should approximate \$4.35 per share in 1960 versus \$3.73 last year. The dividend rate is currently \$2.20 per share plus a year-end extra. The year-end extra was 10¢ last year and either this should be larger or regular rate may be expected to be increased this year. **END**

United States And U.S.S.R. As Contenders For World Markets

(Continued from page 281)

and the fact that the earth is still not wholly occupied, it is conceivable that trade increases between highly industrialized areas could actually slow down rather than accelerate. It is conceivable, too, that industrialization may not keep pace with increases in population and should this happen the purchasing power of the peoples could easily decline.

Industrialization in most regions located in similar latitudes, with few exceptions, tends to bring about the production of the same kinds of goods. Consider, for example, the current so-called compact automobile. The invasion of a few years ago of the United States' market by European manufacturers gave rise to the production of a similar automobile here. Presumably foreign producers will find their sales to us increasingly difficult in the course of a few years unless price differentials, quality, or some unique feature creates a preference over our domestic product. Foreign cars will not disappear from our market, but the current phenomenal rate of increase in sales will be checked. Other illus-

trations of the tendency of industrialization to reduce the opportunities for exchanges in the long run are legion and need not be recited here.

U.S., Soviet Economies Competitive Rather than Complementary

The items which the U.S.S.R. has available for trade consist in general of minerals and fuels, chemicals, machinery, transport equipment, foodstuffs, and an as-

sortment of raw materials. So far as the United States is concerned the commodities which we could use are manganese, nickel, chromite, furs, a few hides and skins, tobacco, flax, caviar, and possibly some forest products. Of course, a few handicraft articles, artware, and other such consumer products are always marketable.

The Soviet Union, if it had the dollars, could at the moment take from us an assortment of ma-





DIVIDEND NOTICE

Dividend of \$1.75 per share on the Preferred Stock of P. Lorillard Company, which otherwise would be payable on the first business day in January, 1961, by way of anticipation has been declared payable December 19, 1960, to stockholders of record at the close of business December 1, 1960. A regular quarterly dividend of \$.55 per share on the outstanding Common Stock of P. Lorillard Company has been declared payable December 19, 1960, to stockholders of record at the close of business December 1, 1960. Checks will be mailed.

New York, November 16, 1960. **G. O. DAVIES, Treasurer**

FIRST WITH THE FINEST CIGARETTES—THROUGH LORILLARD RESEARCH



TWO HUNDRED YEARS OF TOBACCO EXPERIENCE

<u>Cigarettes</u>			
OLD GOLD STRAIGHTS Regular King Size OLD GOLD FILTERS King Size Smoking Tobaccos BRIGGS UNION LEADER FRIENDS INDIA HOUSE	KENT Regular King Size Crush-Proof Box Little Cigars BETWEEN THE ACTS MADISON	NEWPORT King Size Crush-Proof Box Chewing Tobaccos BEECH-NUT BAGPIPE HAVANA BLOSSOM	SPRING King Size EMBASSY King Size Turkish Cigarettes MURAD HELMAR



Cities Service COMPANY

Dividend Notice

The Board of Directors of Cities Service Company declared a quarterly dividend of sixty cents (\$.60) per share on its Common Stock, payable December 16, 1960, to stockholders of record at the close of business November 28, 1960.

November 17, 1960.

FRANKLIN K. FOSTER, Secretary

E. I. DU PONT DE NEMOURS & COMPANY

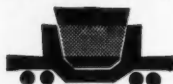


Wilmington, Del., November 21, 1960
The Board of Directors has declared this day regular quarterly dividends of \$1.12½ a share on the Preferred Stock—\$4.50 Series and 87½¢ a share on the Preferred Stock—\$3.50 Series, both payable January 25, 1961, to stockholders of record at the close of business on January 10, 1961; also \$2.25 a share on the Common Stock as the year-end dividend for 1960, payable December 14, 1960, to stockholders of record at the close of business on November 29, 1960.

P. S. DU PONT, Secretary

Interlake Iron

DIVIDEND No. 66



Interlake Iron Corporation, Cleveland, has declared a dividend of 40 cents per share on its common stock, payable Dec. 15, 1960, to stockholders of record at the close of business Dec. 1, 1960.

J. P. Flanagan

Vice President & Treas.

Maker of Iron and Ferroalloys

NATIONAL STEEL Corporation



124th Consecutive Dividend

The Board of Directors at a meeting on November 15, 1960, declared a quarterly dividend of seventy-five cents per share on the capital stock, which will be payable December 12, 1960, to stockholders of record November 25, 1960.

PAUL E. SHROADS
Senior Vice President

AMERICAN ICE COMPANY Common Stock Dividend

At a meeting of the Board of Directors of American Ice Company held on November 22, 1960, the following dividend action was taken:

Quarterly dividend (being Dividend No. 71) of Twenty-Five Cents (\$.25) per share, payable in cash, and a 2% stock dividend was declared upon the Common Capital Stock, both payable January 6, 1961, to stockholders of record at 5:00 o'clock P. M., New York City time, on December 7, 1960.

EARLE D. BARTON
Secretary

chinery and electrical equipment, textile materials, metals and even agricultural products. It is evident that the commodities which the Soviets can sell to us are limited not only in variety but even in the kinds in which we are short. Furthermore, the total value of what we could purchase is far below the value of those goods which the Soviets would like to import. Exchanges certainly would not balance. It is for this reason that the Soviets have been seeking large credits.

The kinds of raw materials, foodstuffs, and manufactured goods produced in the U.S.S.R. are quite similar to these which we turn out although the quantities differ, particularly agricultural. As already indicated, climate, topography and soils being what they are, conditions do not give promise that the nation can produce a considerable diversity of agricultural commodities in quantities to meet large demands. Those products which the Soviet Union has exported recently, including such items as foodstuffs, oils and fats, grains, and forest products are not the kind we in the United States can profitably purchase. In the realm of minerals and manufactures, the situation is similar. The Soviets have exported primarily iron ore, crude oil, coal, manganese, bauxite, nickel, and a few other raw materials on a rather limited scale, of which only the latter three are of interest to us. Among Soviet manufactures are factory equipment, iron and steel, coke, oil products, and minor commodities in the handicraft field, none of which normally (except possibly the last one) could be profitably imported to us.

Soviet Collaboration with New African States Has Stronger Economic than Political Motives

Undoubtedly the Soviets themselves are fully aware of the circumstances pointed up here. Their keen interest in associating economically, if not politically, with the new array of African independent nations, nearly all of which are Atlantic Basin countries, is easily understood. These areas are largely tropical and their populations are ripe for advancing their standards. A

variety of exceptional minerals is also available in modest quantities now and potentially in abundance later. Here is the basis for exchanges between the U.S.S.R. and these peoples—finished goods such as machine tools for raw materials. The African nations do, however, have food shortages and poverty, not to mention exceedingly primitive peoples, which pose difficult problems. In fact, if the Soviets were thinking of outright conquest or merely of full responsibility for their future well-being, these countries could easily become a liability. This same situation applies to the Mediterranean countries in which the Soviets have also shown an interest economically.

The Soviet offer of economic aid to each of these countries is not to be interpreted as an expression of heartfelt sympathy for the struggles of a people seeking to be free. On the contrary, it is a coldly calculated plan to fortify, if possible, the future economy of the U.S.S.R.

Greater Mutual Trade Interest Between Soviet Bloc, Western Europe

The variety of deficiencies in foodstuffs and raw materials among some 300,000,000 peoples of Europe outside the U.S.S.R., offers a strong magnet for Soviet surpluses, real or imaginary. We say "real or imaginary" because the Soviet government does not hesitate to export items actually needed at home in exchange for those it deems more essential to national defense, particularly military goods. Non-Soviet Europe's great activity in manufacturing, yielding finished goods important to the Soviet economy, constitutes, an excellent basis for exchanges. The figures cited bear out this contention. The nations of western Europe complement those of eastern Europe, commonly referred to as the Soviet Bloc. The nations bordering upon the Atlantic Ocean, in general, are inhabited by those peoples of the earth having the highest standards of living and the greatest real and potential purchasing power. On the other hand, the Asiatic nations whose populations still live largely at subsistence levels cannot, for decades to come, constitute a market sufficiently

attractive to hold much of the U.S.S.R.'s trading attention.

No dependable data suggests that the 650,000,000 Chinese nor the nearly 400,000,000 Indians are rapidly overcoming their dire poverty. To be sure, in both of these countries and most of the others of Asia, abundant labor is available which might be viewed as a form of capital. But it is an inadequate form because most of it can be utilized only in the construction of non-exchangeable public works. Where labor is now employed in a manufacturing process it yields so little gain for itself that its resultant purchasing power cannot figure as a market for the U.S.S.R. comparable with that in the western nations. To whatever extent industrialization is being effected, its total is at best a mere incident in the vast struggle for survival which has characterized these peoples for thousands of years. It would appear then, that the best prospect for Soviet trade is to be sought in the Atlantic world, and for years to come probably it will be with European and Latin American nations primarily.

Trade Between U.S.A. and U.S.S.R.

We have already suggested that the basis for a vigorous trade between the Soviets and ourselves is not encouraging. *Not only is this so, out the U.S.S.R. may become a stronger economic competitor of ours. In addition to the fact that the two regions produce much the same kinds of commodities, the Soviets, as is well known, harbor some business philosophies foreign to our ways.*

For example, they manufacture steel in a location which requires the haulage of iron and coking coal overland, distances of 600 to 1200 miles to the mills. When the steel mills were erected at Magnitogorsk, in the Ural Mountains, coal was carried by rail to that center, a distance of over 1000 miles. We do haul our iron ore even further in some instances but by water in ships especially designed for the purpose. Private enterprise could hardly carry these heavy, bulky materials overland, fabricate steel and still make a profit.

Under the communist system such matters are viewed differ-

ently. The necessity for the labor element to work at a modest wage is not serious so long as the nation's objectives are attained and, of course, freedom of action upon the part of an individual is not to be tolerated. The imbalance in their economy seems not to bother the leaders. So it is that, price-wise and credit-wise too, the Soviets can compete with us in some industrial fields, but only at a heavy cost in terms of human freedom and dignity.

Facts Must Be Faced Realistically

This expansion of Soviet trade with Western Europe is not going to come to pass at once. We need not panic, but we need to be alert. We shall be called upon to exercise a high order of salesmanship and to bring to bear more inventive genius to meet this situation. Even this may not be sufficient to enable us to maintain the high level of international trade which it has been our good fortune to have enjoyed in the past. We must be realistic, however, and recognize the fact that no matter how we may feel toward communistic philosophies and the ethics of the Soviet leaders, the U.S.S.R. is destined to grow as a contender for the world's markets and particularly as a competitor of ours. This same situation would probably hold for any other aggressive peoples occupying the same lands as do the Soviets. American international traders cannot afford to ignore the fact that, economically viewed, the U.S.S.R. faces west. END

Spending Billions Of Dollars Approved By States And Municipalities

(Continued from page 278)

a seven-mile tunnel, although pumping stations will still be required en route. A maze of secondary tunnels and canals will also be required. To even off seasonal variations in flow, a large storage reservoir will be built midway along the main aqueduct. This vast scheme will supplement, but exceed in magnitude, the previous Shasta scheme, carried by the federal government at a cost of \$1.2 billion, to irrigate the Central Valley. When one considers the existing sharp contrast



SUNDSTRAND

CORPORATION


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DIVIDEND NOTICE

The Board of Directors declared a regular quarterly dividend of 25¢ per share on the common stock, and a 2% stock dividend, both payable December 19, 1960, to shareholders of record December 9, 1960.

G. J. LANDSTROM
Vice President-Secretary

Rockford, Illinois
November 15, 1960



ANACONDA

DIVIDEND NO. 210


November 23, 1960

The Board of Directors of **THE ANACONDA COMPANY** has today declared a dividend of One Dollar (\$1.00) per share on its capital stock of the par value of \$50 per share, payable December 28, 1960, to stockholders of record at the close of business on December 5, 1960.

R. E. SCHNEIDER
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

YALE & TOWNE

291st Quarterly Dividend



37½¢ a Share

Payable:
Jan. 3, 1961

Record date:
Dec. 9, 1960

Declared:
Nov. 22, 1960

Elmer F. Franz
Vice President
and Treasurer

THE YALE & TOWNE MFG. CO.
Lock and Hardware Products since 1868
Materials Handling Equipment since 1875
Cash dividends paid every year since 1899

between the densely populated coastal area of southern California and the very sparsely occupied hinterland, the implications of this project are staggering. **If adequate water supplies can be added to the advantages which this region already possesses, an even more rapid rate of industrial development and population growth can be visualized in the future.**

A program of this magnitude cannot, of course, be carried out in a single step, and it is expected that the bonds just authorized will be issued over a 20 year period. Undoubtedly the project will be enlarged during that interval, and some participation by the federal government may also be anticipated. Thus, it seems probable that the eventual project may be considerably larger than the present \$1.75 billion appropriation.

Water Shortages Widespread

The foregoing scheme will not be the first major, municipally financed water project in California. Two generations ago Los Angeles constructed a 300-mile aqueduct to bring life-giving water from the remote Owens Lake area, and only two years ago San Francisco East Bay voters authorized a quarter billion dollar bond issue for the expansion of the local water system.

In the West—But the water shortage is by no means confined to California. Obviously, other states in the arid Southwest—Nevada, Arizona, New Mexico and west Texas—could experience a complete economic transformation with the advent of large supplies of low-cost water. At the present time a new Glen Canyon dam is rising on the Colorado, to supplement the Hoover Dam built 25 years ago. Most of the projects in this area have been carried out on a federal basis.

In the East—Curiously, however, any map of water-shortage areas shows a concentration of dots—not in the West—but in the more humid East. This is simply because water deficiencies are most severe where the largest concentrations of people and factories already exist. Further, as pointed out above, much visible water in the East and Middle West has been rendered unpalatable by pollution.

Discussion of the water problem automatically introduces the subject of conversion of sea water. Within the very early future the cost of this process is expected to drop within a range comparable with the procurement of fresh water, at least for the less favorably located cities. The U.S. Department of Interior has an office of Saline Water, which is currently placing contracts for the construction of five experimental distillation plants. **The director of this office, Dr. A. L. Miller, has stated that over 1000 cities will be largely dependent upon ocean conversion units within 20 years.**

The fascinating topic of water shortages and schemes for their alleviation were discussed at some length in the May 9, 1959, issue of this Magazine, where it attracted considerable attention and was widely reprinted.

Will Local Responsibility Be Preserved?

Many of the bond proposals voted upon in the recent election must be regarded as controversial; that is self-evident from their position on the ballot. Conflicts of opinion may stem either from basic principals or from mere disagreement over the cost and terms of specific projects. An expanding role of government has become an accepted fact in recent years, but the construction of a factory at municipal expense to be operated by a private company is still a little startling. And while the reservation of parks and forests seems to be a desirable public function, "old fogies" are likely to raise their eyebrows over the assumption of responsibility by municipalities for providing stadiums and places of entertainment.

But these decisions may properly be left to the voters of each particular community. The purpose of the present article has been merely to show the recent trend in state and municipal financing. However, one comment which may be regarded as political will be venture. The sharply increasing trend of municipal bond authorizations and the magnitude of some of these schemes seem to show that localities are quite capable of meeting their own responsibilities without federal intervention. Naturally, nothing will stifle local initiative and

tighten local pockets as much as the hope that the federal government may eventually provide all needed schools, sewers and other public works. On the contrary, when the national government confines itself to its natural sphere local governments will respond to local needs. It is to be hoped that this healthy revival of regional initiative will not be suppressed under the incoming administration.

In an entirely non-political sense some of the major projects just authorized, particularly those for water conservation, will have far-reaching effects upon the economy of the areas involved. These projects are important both in themselves and as signs of a growing trend which other communities are likely to follow.

This effort will not only open up new avenues for future growth in undeveloped and unexploited territory, but will also rehabilitate stagnant sections of our economy and restore them to economic vigor and vitality. This will help to produce the type of real growth and expansion we are looking for at this time. For it will result in new industrial activity, ... creating new jobs, building of new homes — communities — new wealth for our citizens — and revenue for our government. END

No "Inflation" In The Offing

(Continued from page 274)

responsibility might be laid aside temporarily in an effort to reverse the business cycle. The Keynesian concept of increased government spending and resultant budgetary imbalance during periods of business recession has gained world wide adherence among both conservatives and liberals. It no longer is considered as "radical" doctrine by more than a small minority, although it might well prove to be disastrous, in the final analysis, in the event of a deep and prolonged business depression.

As a general rule, increased government spending during a business recession should be considered as counter-deflationary rather than inflationary, although it might ultimately have inflationary consequences.

Pressure on Prices

This brings us face to face with

the commodity price situation at the present time.

For approximately three years, the general commodity price level—as represented by the Bureau of Labor Statistics—wholesale price index—has held in an extremely narrow range, at or near its all-time high.

The cost of living—as represented by the BLS consumer price index—has been edging upward. However, the uptrend in living costs has been due largely to the rising prices of consumer services and to rising distribution costs, which in themselves are primarily service costs.

Both in the United States and overseas, the underlying trend of primary commodities has been downward for a number of months. In fact, if we ignore the temporary upswings and downswings as a result of business result of business recessions and recoveries, the trend of primary commodity prices has been generally downward since the postwar peak early in 1951.

►Primary commodity prices were quick to reflect the development of excessive production capacity and gradual accumulation of inventories following the initial scare period of the Korean War. This, it should be noted, is a worldwide development.

►More recently, we have begun to witness the impact of excessive productive capacity and heightened competition for markets upon prices of manufactured goods. No longer, as a general rule, are manufacturers able to pass along to consumers any increases in production costs. Here in the United States, rising competition from imported products has accentuated the necessity of holding down the costs of production of domestic manufactures.

Shift in Values

There is rather distinct evidence that consumers' concepts of values are in process of change. As yet, we do not know the reasons and the answers, except that this shift in values has certain deflationary implications for commodity prices.

Diminished interest in durable goods and in new housing may represent a degree of saturation and fulfillment of long pentup demands, accumulated during the

depression of the 1930s and World War II.

Consumers are spending an increasingly larger percentage of their incomes on consumer services of various kinds, leaving a smaller percentage for the purchase of goods and for savings.

This may represent a return to a more "normal" pattern of spending. The percentage of income now spent for services has risen to approximately the same as in 1929, which we may assume was something like "normal".

Some of the uptrend in spending for services reflects rising unit costs of various services.

►In evaluating the apparent willingness of consumers to devote an increasingly larger share of their income for services, consideration must be accorded to types of services not usually counted as such. These include the building of schools, higher salaries for teachers and other local salaried employees, better police and fire protection, buying of land for public parks, and so on. Consumers vote for and approve these, even though they know that they mean higher taxes and resultant diminished income for other purposes.

►The rise in consumer savings merits consideration, also. We do not know all of the reasons for this. But, there is evidence that some of it reflects growing awareness by parents of the high and rising cost of college education. With a larger percentage of youngsters approaching college age, and with a larger percentage of youngsters than ever before going to college now, parents are faced with the necessity of spending more just for education alone than in the earlier postwar period.

Increased spending for services and increased savings, in the final analysis, are deflationary from the standpoint of commodity prices.

The Current Recession

For several months now, we apparently have been in a recession of some sort, although we do not seem able to type it.

►Quite evidently, it is not an inventory recession, like the three previous postwar recessions, since the business recovery period following the 1957-58 recession was not accompanied by any such accumulation of inventories as in

the previous recovery periods.

Economists and business men are hopeful that the recession will bottom out about the middle of next year, with recovery following. But, they do not know.

Almost everywhere we look, there is evidence of a considerable degree of saturation. This seems true in housing, where the vacancy rate is rising. Industry after industry appears to have overexpanded capacity. Consumers appear to have reached the upper percentage limit of income that they will or can devote to installment payments.

Many of the factors that contributed so much to the sharp upward push in general business activity in the 1950s appear to have lost or to be losing their force. The early postwar period of shortages has given way to abundance of practically everything.

Worldwide Nature

In a number of other countries, much the same sort of thing is occurring, apparently.

For the first time in the postwar period, the slackening of business activity in the United States is being accompanied by leveling off in business activity in a number of countries overseas.

►Very frankly, we do not know what to make of this. We cannot dismiss the possibility, however, that we are witnessing the initial stages of a more serious and more general business recession than anything before in the post World War II period.

►The gold situation limits our ability to cope with the current situation via budgetary deficits and easy money. By restricting spending overseas and by endeavoring to restore trade balance, in order to check the outflow of gold, we hurt the economies of other countries.

►We can only sit this out, waiting for developments to unfold. However, we do have a hunch, if you want to call it such, that Mr. Kennedy may have inherited a serious business recession that may not be over in a matter of months. There is a lot of evidence that points to this, no matter how much we may hope that we are wrong.

Ascendancy of Deflation

Business recession, particularly recession of a rather worldwide

nature, is deflationary from the standpoint of the commodity price structure.

►If our suspicions with respect to the world business situation should prove to be correct, and only time will tell whether they are or not, the major problem in the period ahead may be that of combatting deflation rather than inflation.

►Experience has shown that, when recessionary and deflationary forces are of a worldwide nature, the ability of any one country to combat them is limited, even if the country is as large and powerful as the United States.

As business men and investors endeavor to evaluate the implications of a new administration, thus far carrying the inflationary label, full consideration should be accorded the distinct possibility that deflation rather than inflation may prove, by force of circumstances, to be the main concern. END

Significant Developments In Industry, Corporations, The Dollar

(Continued from page 299)

expected, that the opposite is true. The Russians have devalued the ruble again. True, they did raise the apparent gold content over four times. But the catch is that every Russian citizen must turn in ten old rubles to receive one of the new.

Nevertheless, by taking advantage of the complexity of money relationships and emphasizing the weakness of the dollar, the Soviet Union may be able to make it appear that the socialist system is so strong that the gold content of the ruble can be increased while the dollar stands in simultaneous danger of devaluation.

If we allow ourselves to be defeated by cheap tricks it will probably be our own fault. Nevertheless, our allowing the dollar to soften, for whatever reason, has invited just such insidious attacks. Hence, it is essential that Dillon and Anderson, on their European mission, obtain some assurance of assistance in relieving the dollar drain and that we also practice the self-discipline at home of realizing that we can't be all things to all men. END

A Realistic Appraisal Of The Various Facets Of The Construction Industry

(Continued from page 294)

neous conglomerate or a corporation having diverse lines of business with some very rough theme unifying the whole operation. Of the total, building and construction materials account for about 48% of sales; industrial paints, printing ink and chemical coatings for 22%; resins, adhesives, powdered metals and sealants, 24%; and consumer products, 6%. American-Marietta is well qualified for a place in the roster of construction material stocks, since its product line encompasses concrete products, cement, limestone, refractories, brick and tile.

With acquisitions playing an important role, sales growth has been quite strong in the postwar period. Sales will approach \$400 million in the fiscal year ending November 30, 1960. Earnings, which also have been expanding at a good clip, are likely to approximate the \$2.03 a share which was recorded in 1959. The path ahead points to a continued rapid rate of internal growth for this company, which will undoubtedly be augmented by acquisitions. Shareholders recently approved an increase in authorized common from 15 million shares to 25 million, a clear sign that management will continue its policy of picking up good companies through exchange of stock. At current levels, American-Marietta is selling at a little more than 15 times projected 1960 earnings.

Armstrong Cork derives about two-thirds of its revenues from the sale of building products. But since a fair degree of diversification exists within this market—the company enjoys a good balance between new construction and modernization—Armstrong's fortunes do not rise and fall with alarming suddenness. The remaining portion of revenues is basically derived from packaging products and specialty items.

Aside from its well-known line of hard-surface floor coverings, the company supplies acoustical materials, interior wall finishes and insulating materials. Specialty items include pipe coverings, cements, paints, and emul-

sion finishes among a diverse line, much of which is supplied to the automobile industry. Packaging materials consist largely of glass containers and closures.

Growth in the postwar era has been steady but hardly spectacular. Margins have held up reasonably well, with the result that much of the added revenue has been translated into higher earnings. The outlook ahead is for gradual, sustained expansion over the long pull. For the immediate future, 1960 share earnings are likely to dip to around \$3.25, compared with the peak \$3.68 of 1959.

Otis Elevator is the largest company in the elevator and escalator field. Operations consist of new installations, maintenance, repair and conversion of existing manual elevators to an automatic basis. Foreign activities are important for this company, contributing about 17% of earnings last year. Otis has also been manufacturing pinsetter bowling machines for Brunswick Corp., but this contract will expire shortly. To some extent its absence will be taken up by pinsetter installations and repairs as well as by a new agreement to manufacture similar equipment for Bowl-Mor, beginning in 1961.

Aside from the short-term character of pinsetter manufacturing activity, the basic business of Otis has been good and should continue in the same vein. For example, maintenance business alone is apparently growing at about 10% per annum. The long-term outlook for the company's overall business is for sustained growth both in billings and in earnings. For 1960, share earnings will closely approximate the record \$2.91 of 1959, a respectable showing. However, the shares, now selling at roughly 19 times these estimated results, are not cheap, in the light of the current situation.

Trane is a successful entrant in the air-conditioning derby, unlike many of its rivals. The company manufactures air-conditioning, heating, ventilating and heat transfer equipment. Its markets are principally in the industrial and commercial construction and the modernization fields. Hence, the 1960 drop in residential housing starts has had little effect on Trane's business.

Growth has been at an above-average rate since the end of the war, with both sales and earnings in a pronounced uptrend. Share earnings could reach the \$3.00 level in 1960, compared with \$2.36 in 1959 when some internal difficulties held down results. The immediate outlook is quite promising since new orders booked are currently running at a \$115-\$120 million level, pointing to another sales gain in 1961. Trane shares sell at a fairly liberal appraisal of 1960 expectations. END

Taxes And Moonshine Effect Liquor Profits

(Continued from page 296)

progress.

Future Prospects

This year total consumption of distilled spirits seems likely to exceed by three or four million gallons the 231 million gallon record set in 1946. Barring any sharp downturn in disposable income, consumption should continue to increase in future years, both in absolute terms and on a per capita basis. Per capita consumption was relatively static during most of the postwar years, reflecting the only moderate increase in size of the 21-45 year age group where drinking is thought to be heaviest. This situation is expected to be corrected during the next few years as the "war babies" born during the early 1940's become adults. Presently, with the possible exception of Schenley, which could show a recovery from its recent sharp earnings decline, there seems no reason to expect any major change in the distillers' fortunes during the immediate period ahead. Most stocks now seem reasonably priced, however, in relation to recent and prospective near-term earnings, and present dividend rates offer moderately liberal returns. We now turn to a discussion of the leading companies.

National Distillers and Chemical Corporation added "Chemical" to its name in 1957 in recognition of the growing importance of this aspect of its business. Since initial entry into the field about ten years ago National's chemical operations have expanded to the point where they provided 37%

of last year's operating earnings. National is now second only to Union Carbide in polyethylene output and is the leading producer of industrial alcohol. The company also has an important position in liquified petroleum gas, ethyl chloride and a number of heavy chemicals. The Kordite division, a producer of polyethylene film and converted film products, has quadrupled in size since acquisition only two years ago.

Sixty percent ownership of Reactive Metals affords an interest in such exotic minerals as zirconium and titanium. While this operation is only marginal at present, longer term prospects are considered attractive. In the near future National will acquire two fertilizer manufacturers.

The beverage division manufactures and imports a full line of distilled spirits. Particular emphasis has been placed on the production of straights and bourbons. Growing consumer demand for these types of whiskey had a very favorable impact on National's beverage division. Sales and earnings have been growing in recent years and the company is able to boast ownership of several of the nation's most popular brands.

Nine months' interim earnings were off slightly from \$1.63 to \$1.49 per share, as lower profits for the chemical division more than offset improved earnings from liquor sales. Good holiday business may allow full year earnings to approximate the \$2.23 earned last year. Dividends should continue at \$1.20 annually.

Schenley Industries, the third largest distiller, was beset with a number of problems during its 1960 fiscal year which ended August 31. A strike which closed its Pennsylvania distillery during July, August and September of 1959 deprived the company of a sizable portion of the important holiday business. The company also found it necessary to reduce shipments in order to bring wholesaler's inventories and its own trade receivables into line with current sales volume. As a result sales dropped to \$382 million from 1959's \$400 million, while earnings from operations plummeted from \$3.09 to \$0.50 per share. Non-recurring items were a change in accounting methods which lowered earnings by about

35¢ per share and an \$0.80 capital gain from sales of the ethical pharmaceutical division. Results in the current year should be better. Chairman Lewis S. Rosenstiel pointed out in his letter to stockholders that wholesalers' stocks of Schenley products are in better balance and 1960 should not be regarded as indicative of the company's earning power. First quarter (September-November) 1960-61 sales will be "satisfactory," according to the annual report.

Schenley has diversified both within the liquor business and into other fields in recent years. In addition to manufacturing a full line of spirits Schenley is an important factor in domestic wine production and holds 200,000 shares of Pabst Brewing and options to purchase 350,000 more. The company imports Scotch, brandy, wines and liqueurs and holds a substantial interest in a leading French brandy company. A wholly owned subsidiary produces Scotch and gin and conducts a wholesale wine and liquor business in Great Britain. Other activities include operation of a proprietary drug division, a cooperative division and production and sale of livestock feed. The sale last June of Schenlab Pharmaceuticals resulted in the acquisition of 120,000 shares of Rexall.

The \$1.00 annual dividend may be supplemented from time to time with distribution of the new convertible preferred.

Hiram Walker-Gooderham & Worts, Ltd. operates distilleries in the United States, Canada and Scotland. The U.S. market accounts for an estimated 85-90% of sales. Principal brands, in addition to the well known Canadian Club, include Ambassador, Old Smuggler and Ballantine's Scotch, Walker's De Luxe and Ten High bourbons and two blends, Corby's and Imperial. The company manufactures gin, cordials, vodka and rum as well. Operations have not been diversified into other fields.

Earnings have shown a steady but modest growth in recent years rising to \$2.91 per share in the year ended August 31, 1960 compared with \$2.76 reported a year earlier. A further moderate advance is likely during fiscal 1960-61. Dividends are currently \$1.75 annually.

TEXAS GULF SULPHUR COMPANY



157th Consecutive Quarterly Dividend

The Board of Directors has declared a dividend of 25 cents per share on the 10,020,000 shares of the Company's capital stock outstanding and entitled to receive dividends, payable December 15, 1960, to stockholders of record at the close of business November 28, 1960.

E. F. VANDERSTUCKEN, JR.,
Secretary.

Distillers Corporation-Seagrams, Ltd. is the largest distiller in North America. Approximately 90% of sales are derived from the United States market but only about half of earnings, the remainder being obtained from Canadian and worldwide business. Most of the company's principal brands are blends. This fact accounts in large measure for the failure of sales and earnings to show any pronounced growth in recent years.

Diversification has taken the form of entry into oil and gas exploration. At July 31, 1960 Seagrams carried its investment in this field at \$23.9 million. While a number of producing wells have been developed or acquired, the effect on earnings has so far been minor. A subsidiary manufactures proprietary drugs and deodorants.

Sales were up moderately in the year ended July 1, 1960 and earnings rose to \$3.23 from \$3.09 per share. Another modest advance seems likely this year. The \$1.70 dividend has been maintained since 1950.

The American Distilling Company, in contrast to its larger competitors, remained exclusively a liquor company with highly gratifying results for its stockholders. The company's only venture outside of the liquor field—purchase of an interest in Moxie Company—was disposed of at a loss of \$569,961 in 1957. Alcoholic beverage operations, on the other hand, have been highly successful. American's record of successively higher earnings in each year since 1953 is one that the rest of the industry must envy. Per share earnings of \$2.06 in the fiscal year ended September 30, 1959 were almost five times the \$0.42 earned only six years earlier. With nine month interim 1960 earnings of \$1.85 per share well ahead of the \$1.50 reported in the like period a year earlier,

it seems likely that profits rose to about \$2.35 per share in the year ended last September 30. A further advance during fiscal 1961 appears probable.

American produces a full line of distilled spirits and imports Scotch and Irish whiskey. The company has taken full advantage of the shift in consumer taste by concentrating production on bourbons and straights. In addition, American was one of the first to participate in the spectacular growth of vodka.

The stock was recently split two for one and the annual dividend raised from \$0.80 to \$1.00.

While beverages are **Publicker Industries** largest product line, they represent slightly less than half of total sales. Other activities include the manufacture of industrial alcohol and related chemicals as well as production and sale of livestock feeds and syrups and operation of a small tanker charter service.

Last year's liquor sales were down as the company eliminated several of its least profitable brands. Industrial volume was also lower due to unusually high raw material costs that adversely effected Publicker's competitive position. More favorable raw material prices as well as the good reception given several recently introduced brands of twelve year old whiskey have aided this year's operations. Publicker reported an 8¢ loss in first quarter 1960 and profits of 21¢ and 8¢ in the second and third quarters for a total of 21¢ for the first nine months compared with a deficit of 48¢ in the like period of 1959. This year is the first since 1956 in which Publicker was able to report a per share profit in two consecutive quarters. Full year 1960 earnings should be in the black for the first time in four years. An annual 5% stock dividend has been paid in each year since 1946.

Brown-Forman Distillers Corporation, a medium size distiller, produces a well regarded line of bonded and straight bourbons and blended whiskies. In addition, the company imports Scotch whiskies, wines and the Bols line of liqueurs. Bols products are also manufactured by Brown-Forman in this country. The Brown-Forman Industries division produces a limited line of photographic chemicals.

This company benefited from the long term shift in consumer preference from blends to straights and recently it introduced an 86 proof bottling of its Old Forester bourbon in order to take advantage of growing demand for lighter Bourbon. Both sales and earnings showed a good advance in the year ended last April 30 and further improvement is expected in fiscal 1960-61. Dividends are currently 40¢ annually plus 3% in stock. **END**

For Profit and Income

(Continued from page 301)

Metrecal, which is a proprietary weight-control product now facing rapidly spreading competition. In ethical drugs, big profits from a single jack-pot drug never last for long. Note the experience of Carter Products and Schering Corp. Carter "went to town" on its Miltown tranquilizer, which is now meeting effective competition. Profit this year will be substantially under the record \$3.44 a share for the fiscal year ended last March 31. The stock is off from a 1959 high of 89½ to 46. Schering got a big rise in profit to a 1957 peak of \$3.80 a share mostly out of a temporary lead in anti-arthritis drugs. By 1959, net was down to \$2.87 a share and it may be nearer \$2.25 this year. The stock is off from a 1959 top of 82 to 44. As these examples prove, drug issues can be far from low-risk stocks. Probably the group as a whole has put its top behind for some time to come.

Too High?

Eastman Kodak, now at 110 in a 1960 range of 136¼-94 is priced around 32 times likely 1960 earnings and offers a current yield of less than 2%. Is it too high? This question cannot be answered with a simple yes or no. Certainly it is not cheap for new buying; but any old holder would have to have a hole in his head to sell it on the reasoning that it is amply priced. From our point of view as professional advisers, the stock is one of the best for continuous accumulation on a dollar-averaging basis, rather than for one-shot purchase. The regular divi-

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5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: (This information is required by the act of June 11, 1960 to be included in all statements regardless of frequency of issue.) 17,785.

(signed) C. G. WYCKOFF
Publisher

STATE OF NEW YORK)
COUNTY OF NEW YORK)

Sworn to and subscribed before me this 16th day of November, 1960.

(signed) HARRY KURLAND

Notary Public, State of New York
Qualified in Queens County
No. 41-738600

[SEAL] Cert. filed in New York County
(My commission expires March 30, 1962)

dividend rate has just been raised from \$1.80 to \$2.00, and supplemented with a 25-cent year-end extra. The cash distribution has now risen for 16 consecutive years. Since 1948 there have been seven stock dividends of 5% to 10% each. There was a 100% stock dividend in 1959, equal to a 2-for-1 split, and a 5-for-1 split in 1947. If bought at the median 1955-1959 price, the stock would now yield about 7% on the regular payment rate. If bought at the highest 1956 price, the holder would now get over 4% at the new regular rate, more with allowance for probable continuing extras. END

Answers to Inquiries . . .

(Continued from page 308)

purchased, for a considerable period of time, in order to avoid taking a loss. Further, while the dividend on this issue would appear to be reasonably secure, the return on your investment would be only about 2.5%, or substantially less than can be obtained on U.S. Government issues or high-grade bonds. Further, there are a number of stocks with relatively stable earning power and well protected dividends, which would give you a substantially higher yield. In brief, we would not suggest purchase of Winn - Dixie stock at this time, as we do not feel it meets your requirements of safety and dependable income.

Market Approaching New Test

(Continued from page 271)

inventory expansion, and continuing "sensible" consumer buying.

What the Kennedy Administration can actually do to spur economic growth remains to be seen. So far the matter of economic growth has been confined to generalities, without any attempt to specify the practical avenues for achieving this growth. And there are a number, such as the rebuilding of the Southwest, which only needs a decent water supply as a go-ahead signal for large scale development.

If, instead of magnifying the

problems involved, we concentrated on ways and means for working out a solution, the difficulties would assume proper proportions. And, at the same time, this type of constructive thinking would have a tendency to focus our minds on our enormous assets—both economic and psychological—and stimulate the kind of planning that must produce realistic and practical results.

Meanwhile, the market faces further tests, more likely after the year end than before. It is limited at the moment by a cloudy profit outlook and an advanced general level of price-earnings ratios, plus a fairly low level of yields.—Monday, November 28.

Book Review

1960 Canadian Handbook of Mines

The Canadian mining industry, despite talk of cutbacks and business uncertainty, has taken a long-term view in advancing new projects and expanding existing facilities. The industry, which established a new production record of \$1.9 billion last year, has earmarked an amount almost equal to that for new mine projects alone.

While the larger mining organizations dominate the scene as the major source of financing and mine development, smaller companies continue to swell the reservoir of possible new mines through exploration extending across the country and north to the Arctic.

Essential details of new operations and exploration efforts, of producers, new and old, and of potential producers, are sufficient to fill a book. And fill it they do in the new 1960 edition of the Canadian Mines Handbook just published.

The 1960 Canadian Mines Handbook lists over 3,500 companies, including more than 200 new organizations. Alphabetical arrangement and larger type size permit easy reference and reading. All pertinent statistical data, including directors, capitalization, and financial position of Canadian mining companies, are provided. As in the previous edition, first quarter production and earnings, latest dividends, and the most recent information on operations and mine development, where available, are shown.

Included also are following special sections, revised and expanded: "Metal Mines Classified" listing producers and their metals; "Range of Mining Share Prices", covering highs and lows from 1953 to May 31, 1960, for mining stocks listed on the Toronto, Canadian and Vancouver Stock Exchanges; and a 28-page colored section of mining maps. Northern Miner Press \$3
Toronto, Canada.

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To investors with \$40,000 or more we shall be glad to send full information on Investment Management Service. Our annual fee is based on the current value of the securities and cash to be supervised—so if you will tell us the present worth of your holdings or list them for our evaluation—we shall quote an exact fee—and answer any questions as to how our counsel can benefit you.

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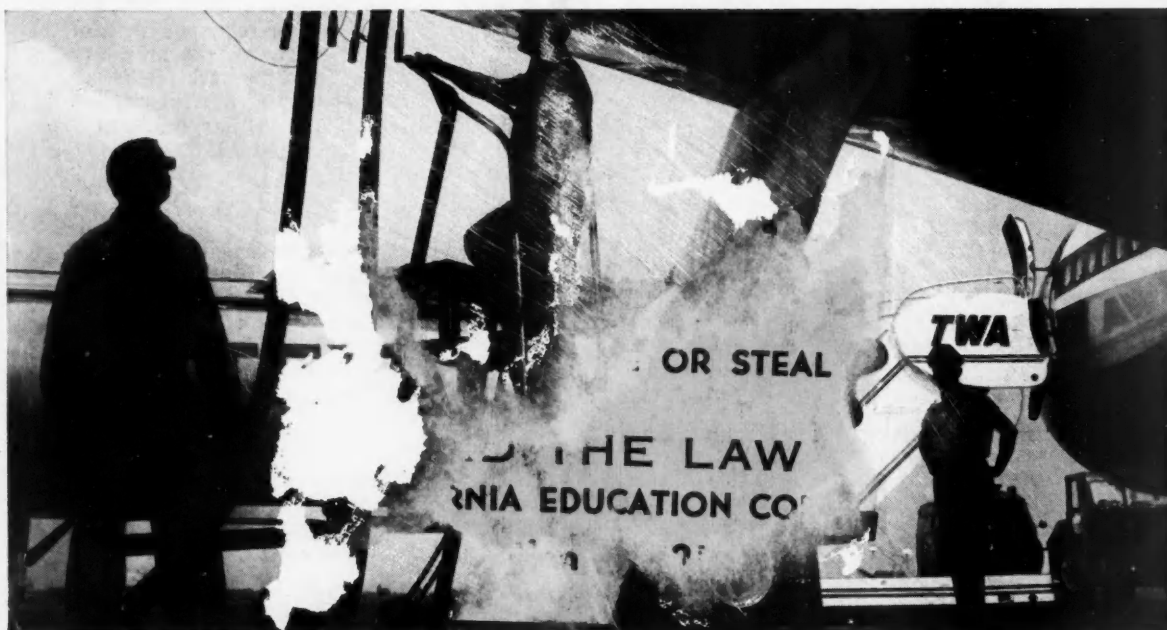
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YESTERDAY—Texaco began serving aviation, long before air travel was a way of life. Captain Frank Hawks, famed early flier, was Texaco's aviation specialist for many years. In 1930 he spanned the continent in Texaco No. 13. Time: 12 hours, 25 minutes, 3 seconds!



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